# DOCUMENT RESUME

ED 339 386 IR 053 840

| | |
|---|---|
| AUTHOR | Conable, Sharon R. |
| TITLE | Procedures Manual: A Guide to Uniform Grant and Contract Management Standards and The Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments. |
| INSTITUTION | Texas State Library, Austin. Dept. of Library Development. |
| PUB DATE | 91 |
| NOTE | 135p. |
| PUB TYPE | Guides - General (050) -- Legal/Legislative/Regulatory Materials (090) |
| EDRS PRICE | MF01/PC06 Plus Postage. |
| DESCRIPTORS | Administrator Guides; Contracts; Federal Aid; *Grants; *Guidelines; *Library Administration; Program Descriptions; Program Proposals; Public Libraries; *Standards; State Aid; State Libraries |
| IDENTIFIERS | *Library Services and Construction Act; *Texas State Library |

ABSTRACT

This manual has been compiled to provide consistent grant application and administrative procedures for state agencies which award grants or contracts to local governments. It provides a conceptual framework of information concerning the reporting, financial, contractual, and auditing requirements for recipients of Texas State Library grants funded with state and federal funds under the Library Systems Act (LSA) and the Library Services and Construction Act (LSCA). A brief preface explains the purpose of the manual together with its scope and a statement of ethical conduct for libraries. Standards and administrative requirements are then presented in 16 sections: (1) Basic Cost Principles (allowable costs, unallowable costs, prior approval costs, indirect costs); (2) Documentation of Time and Attendance; (3) Allocation of Costs to Projects; (4) Standards for Financial Management Systems; (5) Grant Payments; (6) Program Income; (7) Audits; (8) Program Revision Procedures (changes in project scope or objectives; transfer of funds among projects, direct cost categories, and to a project not authorized in the contract; prior approval costs); (9) Property Acquisition and Management; (10) Debarment and Suspension; (11) Procurement Standards; (12) Performance Reporting; (13) Financial Reporting; (14) Record Retention; (15) Enforcement; and (16) Close-Out (of grant awards). Concluding the manual are the following appendixes: (1) Questions and Answers to the Uniform Grant and Contract Management Standard; (2) Prior Approval Guidelines; (3) Texas State Library Appeals Procedure; (4-5) Property Inventory Guidelines (system operation grants and general); (6) Audio-Visual Inventory Guidelines; (7) Government-Wide Common Rule for Non-Procurement Debarment and Suspension; (8) Government-Wide Requirements for a Drug-Free Workplace; and (9) City and County Vendor Identification Numbers. (MAB)

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
☐ This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality
• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy

ED339386

# PROCEDURES MANUAL

## A Guide to Uniform Grant and Contract Management Standards

Based on Texas Civil Statutes, Article 4413 (32g)

and

## The Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments

Prepared by
Sharon R. Conable, Grants Administrator
July 1991
Library Development Division
Texas State Library

IR 053 840

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY
Anne Ramos
TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

BEST COPY AVAILABLE

# CONTENTS

Preface

I. Basic Cost Principles ........ 2

A. Allowable Costs
B. Unallowable Costs
C. Prior Approval Costs
D. Indirect Costs

II. Documentation of Time and Attendance ........ 10

III. Allocation of Costs to Projects ........ 15

IV. Standards for Financial Management Systems ........ 17

V. Grant Payments ........ 18

VI. Program Income ........ 24

VII. Audits ........ 26

VIII. Program Revision Procedures ........ 29

A. Changes in Project Scope or Objectives
B. Transfer of Funds Among Projects
C. Transfer of Funds Among Direct Cost Categories
D. Transfer of Funds to a Project Not Authorized in the Contract
E. Prior Approval Costs

IX. Property Acquisition and Management ........ 40

X. Debarment and Suspension ........ 46

XI. Procurement Standards ........ 49

XII. Performance Reporting ........ 56

XIII. Financial Reporting ........ 65

XIV. Record Retention ........ 69

XV. Enforcement ........ 71

XVI. Close-Out ........ 73

## Contents Continued

### Appendices

A. Questions and Answers to the Uniform Grant and Contract Management Standard
B. Prior Approval Guidelines
C. Texas State Library Appeals Procedure
D. Property Inventory Guidelines - System Operation Grants
E. Property Inventory Guidelines - General
F. Audio-Visual Inventory Guidelines
G. Government-Wide Common Rule for Non-Procurement Debarment and Suspension
H. Government - Wide Requirements for a Drug-Free Workplace
I. City and County Vendor Identification Numbers

# PREFACE

### The UGCMS Described and its Purpose

The Uniform Grant and Contract Management Standards (UGCMS) for state agencies were developed under the directive of the Uniform Grant and Contract Management Act of 1981, Texas Civil Statues, Article 4413(32g). The objective of these standards is to provide consistent grant application and administrative procedures for state agencies which award grants or contracts to local governments.

### The Common Rule

The Office of Management and Budget issued *The Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* in an attempt to streamline the administrative requirements for grants awarded to local governmental entities by the federal government. The document is divided in three (3) parts: Pre-Award Requirements, Post-Award Requirements, and After-the-Grant Requirements.

### Scope of this Manual

This manual has been prepared by the Library Development Division of the Texas State Library for the purpose of orienting grantees to the requirements of the *Uniform Grant and Contract Management Standards* and *The Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*. It is the intent of the manual to provide a conceptual framework of information concerning the reporting, financial, contractual, and auditing requirements for recipients of Texas State Library grants funded with state and federal funds under the Library Systems Act (LSA) and the Library Service and Construction Act (LSCA).

### Ethical Conduct

Recipients of Texas State Library grants are reminded that Article 6 of the American Library Association Code of Ethics states: "Libraries must avoid situations in which personal interests might be served or financial benefits gained at the expense of library users, colleagues, or the employing institution."

### Acknowledgement

The Federal Grants Management Handbook has been used as a reference source in the preparation of this manual.

## I. BASIC COST PRINCIPLES

### Introduction

The Office of Management and Budget Circular A-87 "Cost Principles for State and Local Governments" sets forth the guidelines and policies governing costs applicable to grants with state and local governmental units.

### Purpose

The purpose of the circular is to provide a consistent and uniform approach to determining the allowability of costs under Federal grant programs.

### Allowability Criteria

To be allowable, costs must:

- be necessary, reasonable and allocable to the grant program;
- be authorized by the grant agreement and allowable under state and local laws or regulations;
- conform to the limitations set forth in the grant agreement;
- be allocated to the grant on a basis consistent with policies, regulations and procedures that apply to all activities of the subgrantee;
- be accounted for on a consistent basis and in accordance with generally accepted accounting principles;
- not be allocable or included as a cost of any other federally funded program.

### Total Costs

All allowable direct and indirect costs chargeable to the grant account, minus any refunds, credits, or rebates are considered total costs. These costs must be necessary for the performance of the grant activities stipulated in the grant agreement.

### Direct Costs

Direct costs are any costs that can be specifically identified with a particular cost objective. OMB Circular A-87 lists several examples of direct costs. Some are:

- compensation of employees for the time and effort devoted specifically to the grant program
- cost of materials expended specifically for the grant
- equipment and other capital expenditures
- any other expenditures incurred specifically to carry out the grant agreement

| | |
|---|---|
| Indirect Costs | Indirect costs are those costs incurred for a common or joint objective which benefits more than one cost objective. Generally, costs such as accounting, personnel, building occupancy, data processing, payroll, legal and general administration are considered indirect costs. |
| Credits | A credit is any reduction in an expenditure-type transaction which offsets or reduces expense items allocable to the grant as a direct or indirect cost. Examples of such transactions are: purchase discounts, rebates or allowances. |

## A. ALLOWABLE COSTS

**Introduction**

OMB Circular A-87 stipulates those costs which can be charged to a grant.

**Definition**

Any cost which meets the allowability criteria listed on the Cost Principles map, page 2 is an allowable cost.

**Costs Identified**

- ACCOUNTING
- ADVERTISING
- ADVISORY COUNCIL
- AUDIT SERVICE
- BONDING
- BUDGETING
- BUILDING LEASE MANAGEMENT
- CENTRAL STORES
- COMPENSATION FOR PERSONAL SERVICES
- COMMUNICATIONS
- DEPRECIATION AND USE ALLOWANCE
- DISBURSING SERVICE
- EMPLOYEE FRINGE BENEFITS
- EMPLOYEE MORALE, HEALTH AND WELFARE COSTS
- EXHIBITS
- LEGAL EXPENSES
- MAINTENANCE AND REPAIR
- MATERIALS AND SUPPLIES
- MEETINGS AND CONFERENCES
- MEMBERSHIPS, SUBSCRIPTIONS AND PROFESSIONAL ACTIVITIES
- MOTOR POOLS
- PAYROLL PREPARATION
- PERSONNEL ADMINISTRATION
- PRINTING AND REPRODUCTION
- PROCUREMENT SERVICE
- REFERENCE MATERIAL
- TAXES
- TRAINING AND EDUCATION
- TRANSPORTATION
- TRAVEL

**Travel Costs**

Travel is an allowable cost and does not require prior approval. Travel includes expenses for transportation, lodging, meals and other related items. All travel charged to the grant account must be specifically related to the grant program.

The payment of travel costs is limited to those persons on the grant payroll or employed to carry out an Library Services and Construction Act (LSCA) funded project which meets the test of implementing an LSCA purpose. This requirement also applies to state Library System Act grants.

In the case of System Operation Grants, travel expenses may be paid from grant funds for grant personnel and System Advisory Council members. Advisory Council travel is limited to grant related purposes. Under no circumstances may grant funds be used to pay travel expenses of lay representatives or system member librarians.

When traveling, subgrantees are required to use local travel policies. In the absence of established local policies, state travel policies may be used. It is not permissible to use a combination of state and local policies.

### Allowable Construction Costs

The following costs may be paid from LSCA Title II funds in accordance with the Library Services and Construction Act:

a. Erection of new buildings to be used for public library facilities.

b. Expansion, remodeling, and alteration--as distinguished from maintenance and repair--of existing library buildings or buildings to be used for public library purposes.

c. Expenses--other than interest and the carrying charges on bonds--related to the acquisition of an existing building or of land on which there is to be construction of new buildings or expansion of existing buildings to be used for public library buildings.

d. Site grading and improvement of land on which these facilities are located.

e. Architectural, engineering, and inspection expenses incurred after site selection.

f. Expenses related to the acquisition and installation of initial equipment to be located in a public library facility. This equipment includes all necessary building fixtures and utilities, office furniture, and public library equipment. An applicant may not include the cost of books or other library materials.

## B. UNALLOWABLE COSTS

**Introduction**

OMB Circular A-87 has established general criteria for determining if a cost is not eligible to be charged to a grant.

**Definition**

An unallowable cost is any cost which cannot be charged to the grant regardless of whether the cost is treated as direct or indirect.

**Costs Identified**

BAD DEBTS - losses caused by uncollectible accounts or claims

CONTINGENCIES - funds reserved for unexpected costs

CONTRIBUTIONS AND DONATIONS - funds given to a public or charitable cause

ENTERTAINMENT - social activities, coffee or food service, luncheons for the advisory council (council receives per diem which would cover the cost of lunch)

FINES AND PENALTIES - costs resulting from violations of or failure to comply with federal, state or local laws or regulations

GOVERNOR'S EXPENSES - salaries and expenses of the governor's office or chief executive of a political sub-division

INTEREST AND OTHER FINANCIAL COSTS - any type of charge on borrowings. This includes advances by cities and equipment purchases, leases or lease/purchases.

LEGISLATIVE EXPENSES - salaries and other expenses of governmental bodies, such as county supervisors, city councils, etc. Use of grant monies for lobbying activities is unallowable.

UNDERRECOVERY OF COSTS UNDER GRANT AGREEMENTS - any excess costs for one grant agreement is not chargeable to another grant agreement

**Unallowable Costs Stipulated By Program Legislation**

Certain library programs authorized by the Library Services and Construction Act contain cost restrictions. Title I - Public Library Services funds may not be used for construction costs. Title II - Public Library Construction funds may not be used for the acquisition of library materials and supplies. Title III - Interlibrary Cooperation funds may not be used to purchase library materials.

## C. PRIOR APPROVAL COSTS

**Introduction**

OMB Circular A-87 requires grantees to secure prior approval for certain costs.

**Definition**

A prior approval cost is a cost for which the grantee must obtain the prior written permission of the grantor agency before taking an action which results in obligating or expending grant funds.

**Costs Identified**

- AUTOMATIC DATA PROCESSING
- BUILDING SPACE AND RELATED FACILITIES
  - a. rental costs
  - b. maintenance and operation
  - c. rearrangements and alterations
  - d. depreciation and use allowance on publicly owned buildings
  - e. occupancy of space under rental-purchase or a lease with option to purchase
- CAPITAL EXPENDITURES
- INSURANCE AND INDEMNIFICATION
- MANAGEMENT STUDIES
- PREAGREEMENT COSTS
- PROFESSIONAL SERVICES
- PROPOSAL COSTS

**Obtaining Approval**

Guidelines for requesting prior approval from the Texas State Library are included as Appendix B of this manual.

**Automatic Data Processing Costs**

Grantees must provide a detailed description of all proposed automatic data processing expenditures in the narrative section of the grant application. Prior approval will not be granted unless all of the information requested is provided. Guidelines for developing the project narrative appear in Appendix B.

**Professional Services**

Prior approval is required for all professional services regardless of the cost. Page 8 of Appendix B provides information on what constitutes professional services and how to request prior approval for these costs.

## D. INDIRECT COSTS

---

**Introduction**

Pursuant to Circular A-87, a grantee may seek recovery of its indirect costs. Thus, indirect costs are chargeable to library grants.

---

**Definition**

Indirect costs are those costs incurred for a common or joint objective which benefits more than one cost objective. Generally, costs such as accounting, personnel, building occupancy, data processing, payroll, legal and general administration are considered indirect costs.

---

**How Awarded**

A subgrantee may request reimbursement for indirect costs if it has a cost allocation plan on file and/or has obtained approval of such plan from the appropriate cognizant agency.

A negotiated lump sum will be awarded if the subgrantee does not have a plan on file or an approved plan. The State Library will compute the lump sum overhead amount based on the "Indirect Cost Computation Table" incorporated in the Uniform Grant and Contract Management Standards for State Agencies. A copy of the table follows and is designated Exhibit I.

---

**Indirect Cost Proposals**

Generally, indirect cost proposals are prepared in advance of the period when they are going to be used. Therefore, they reflect the previous year's actual costs or a projection of a future year's expected costs. Since the indirect cost proposal is an estimate, it will need to be adjusted at the end of the effective period in order to reflect actual costs incurred. The subgrantee is generally allowed six months following the close of its fiscal year to submit an adjusted indirect cost proposal. The proposal is used to: adjust the prior year's project rate to the actual rate and to determine the next year's projected rate.

---

EXHIBIT I

# Table 1

## Indirect Cost Computation Table

(1) Total Project Cost (Round to nearest amount on schedule)

(2) Maximum indirect cost allowable – State grantor agency funds

(3) This table is provided for use when the grantee:

  (a) has no cost allocation plan, or

  (b) has no direct administrative costs (salaries, finge benefits, etc.) which are attributed to the grant or contract.

| (1) | (2) | (1) | (2) | (1) | (2) | (1) | (2) |
|---|---|---|---|---|---|---|---|
| $ | $ | $ | $ | $ | $ | $ | $ |
| 1,000 | 50 | 31,000 | 1,285 | 61,000 | 2,252 | 91,000 | 2,995 |
| 2,000 | 100 | 32,000 | 1,320 | 62,000 | 2,280 | 92,000 | 3,015 |
| 3,000 | 150 | 33,000 | 1,355 | 63,000 | 2,307 | 93,000 | 3,035 |
| 4,000 | 200 | 34,000 | 1,390 | 64,000 | 2,335 | 94,000 | 3,055 |
| 5,000 | 250 | 35,000 | 1,425 | 65,000 | 2,362 | 95,000 | 3,075 |
| 6,000 | 295 | 36,000 | 1,460 | 66,000 | 2,390 | 96,000 | 3,095 |
| 7,000 | 340 | 37,000 | 1,495 | 67,000 | 2,417 | 97,000 | 3,115 |
| 8,000 | 385 | 38,000 | 1,530 | 68,000 | 2,445 | 98,000 | 3,135 |
| 9,000 | 430 | 39,000 | 1,565 | 69,000 | 2,472 | 99,000 | 3,155 |
| 10,000 | 475 | 40,000 | 1,600 | 70,000 | 2,500 | 100,000 | 3,175 |
| 11,000 | 505 | 41,000 | 1,632 | 71,000 | 2,525 | 110,000 | 3,350 |
| 12,000 | 555 | 42,000 | 1,665 | 72,000 | 2,550 | 120,000 | 3,525 |
| 13,000 | 595 | 43,000 | 1,697 | 73,000 | 2,575 | 130,000 | 3,675 |
| 14,000 | 635 | 44,000 | 1,730 | 74,000 | 2,600 | 140,000 | 3,825 |
| 15,000 | 675 | 45,000 | 1,762 | 75,000 | 2,625 | 150,000 | 3,950 |
| 16,000 | 715 | 46,000 | 1,795 | 76,000 | 2,650 | 160,000 | 4,075 |
| 17,000 | 755 | 47,000 | 1,827 | 77,000 | 2,675 | 170,000 | 4,175 |
| 18,000 | 795 | 48,000 | 1,860 | 78,000 | 2,700 | 180,000 | 4,275 |
| 19,000 | 835 | 49,000 | 1,892 | 79,000 | 2,725 | 190,000 | 4,350 |
| 20,000 | 875 | 50,000 | 1,925 | 80,000 | 2,750 | 200,000 | 4,425 |
| 21,000 | 912 | 51,000 | 1,955 | 81,000 | 2,772 | 210,000 | 4,475 |
| 22,000 | 950 | 52,000 | 1,985 | 82,000 | 2,795 | 220,000 | 4,525 |
| 23,000 | 987 | 53,000 | 2,015 | 83,000 | 2,817 | 230,000 | 4,575 |
| 24,000 | 1,025 | 54,000 | 2,045 | 84,000 | 2,840 | 240,000 | 4,625 |
| 25,000 | 1,062 | 55,000 | 2,075 | 85,000 | 2,862 | 250,000 | 4,675 |
| 26,000 | 1,100 | 56,000 | 2,105 | 86,000 | 2,885 | 260,000 | 4,725 |
| 27,000 | 1,137 | 57,000 | 2,135 | 87,000 | 2,907 | 270,000 | 4,775 |
| 28,000 | 1,175 | 58,000 | 2,165 | 88,000 | 2,930 | 280,000 | 4,825 |
| 29,000 | 1,212 | 59,000 | 2,195 | 89,000 | 2,952 | 290,000 | 4,875 |
| 30,000 | 1,250 | 60,000 | 2,225 | 90,000 | 2,975 | 300,000 | 4,925 |

(Above 300,000 equals 4,925 + .005 of excess above 300,000)

## II. DOCUMENTATION OF TIME AND ATTENDANCE

**Introduction**

Circular A-87 prescribes the requirements for documenting time and attendance of personnel costs charged to grants.

**Single Project**

Grantees are required to maintain adequate documentation in support of personnel costs charged to grant accounts. Accordingly, each individual employee, paid from grant funds, must document time and attendance. It is acceptable to use the grantee's system if it provides basic attendance data.

**Multiple Projects (Systems)**

When an employee spends time on two or more projects simultaneously the employee will be required to maintain records which establish the amount of time spent on each project. For grants administered by the Texas State Library, multiple projects will generally be limited to system grants.

If a staff member's time is spent on multiple projects, salaries and fringe benefits must be charged to the grant based on the level of time indicated by the time and attendance report. Exhibit II reflects how time and attendance should be maintained when an individual's time is distributed among multiple projects.

**Example**

Exhibit II shows that the assistant coordinator spends time on three projects.

| | |
|---|---|
| • Film Program | 49% |
| • Publicity | 27% |
| • Audio-Visual Services | 29% |

Assuming a bi-weekly salary of $1,000, the assistant coordinator's salary is prorated as follows:

| | |
|---|---|
| • Film Program | $490 |
| • Publicity | $270 |
| • Audio-Visual Services | $290 |

**Systems Coordinator and Secretary**

The system coordinator and the system secretary are generally viewed as: 1) staff who provide support for all projects; and 2) staff who spend time on all system projects. Therefore, these employees are not required to maintain records documenting the amount of time spent on individual projects comprising the system grant. This statement does not imply that time records should not be maintained but means that time does not have to be allocated to projects. This also applies to a system-paid Grant Accountant or other financial staff. Conversely, documentation must be maintained if the system coordinator spends time on a project which has no other staff assigned to it.

**Example**

Assume a system has an "Unserved Counties" project, but has no staff assigned to the project. The coordinator allocates 12% of her time to the project; therefore, she must document the time spent on the unserved counties project. Consequently, the coordinator's time is distributed between two projects: "Unserved Counties" - 12% and "Administration" - 88%.

**Coordinator Vis-a-vis ILL**

In some instances, the coordinator may have supervisory responsibility for the Interlibrary Loan project. Since the coordinator has supervisory responsibility for all projects and staff, the Interlibrary Loan project is considered one of the general administrative functions performed by the coordinator. Therefore, documentation of time spent in this capacity is not required.

**Adjusting Personnel Cost Estimates**

In some cases, the amounts budgeted for salaries and fringe benefits may differ from the actual amounts expended. This may require a transfer of funds among projects. If the transfer of funds impacts on how project objectives are achieved, a scope change has resulted and a budget revision is required. If the transfer of funds among projects, including transfers in other budget categories, exceeds 10% of the grant, a budget revision is in order. Paragraph V. of the contract, "Bases for Calculating Reimbursable Costs," will be adjusted to reflect the cumulative transfers of funds among projects and among direct costs. Refer to pages 32-42 of this manual for information on how to request a budget revision.

**Comment**

It is important that financial staff closely monitor the movement of funds among project activities to ensure conformance with the ten percent limitation governing budget revision requirements. This requirement states that grantees must request a budget revision when the cumulative transfers among budget categories and/or among projects reach 10% of the total budget. Any budget categories which exceed the ten percent limitation, without having received prior authorization, will be cited as an audit exception.

**Example**

When System X submitted its plan of service, the coordinator and assistant coordinator's time was allocated among the following projects and was based on the following percentages:

| | Coordinator | Assistant Coordinator |
|---|---|---|
| Administration | 65% | 35% |
| Publicity | 20% | 15% |
| Unserved Counties | 15% | 20% |
| Literacy | | 30% |

During the grant period, it was ascertained that the coordinator and assistant coordinator had actually expended time by project as follows:

Example Cont'd

| | Coordinator | Assistant Coordinator |
|---|---|---|
| Administration | 45% | 55% |
| Publicity | 30% | 8% |
| Unserved Counties | 25% | 12% |
| Literacy | | 25% |

The following tables will show how salaries and fringe benefits were initially budgeted, how they should actually be charged to the grant based on documentation of time, and the adjustments to the grant budget to ensure conformance with the 10% allowable variance.

Example Continued

Assumptions:
1. Annual Salary - Coordinator, $30,000; Asst. Coordinator, 24,100
2. Fringe Benefits - Coordinator, $4,200; Asst. Coordinator, $3,374
3. Grant Amount - $123,270
4. 10% of Grant Amount - $12,327

---

### *Budget per Approved Plan of Service*

Coordinator

| Project | Personnel | Fringe Benefits | % Of Time |
|---|---|---|---|
| Administration | $15,500 | $2,730 | 65% |
| Publicity | 6,000 | 840 | 20% |
| Unserved Counties | 4,500 | 630 | 15% |

Assistant Coordinator

| Project | Personnel | Fringe Benefits | % Of Time |
|---|---|---|---|
| Administration | $ 8,435 | $1,181 | 35% |
| Publicity | 3,615 | 506 | 15% |
| Unserved Counties | 4,820 | 675 | 20% |
| Literacy | 7,230 | 1,012 | 30% |

### *Actual per Time and Attendance Records*

Coordinator

| Project | Personnel | Fringe Benefits | % Of Time |
|---|---|---|---|
| Administration | $13,500 | $1,890 | 45% |
| Publicity | 9,000 | 1,260 | 30% |
| Unserved Counties | 7,500 | 1,050 | 25% |

---

**Example Cont'd**

Assistant Coordinator

| Project | Personnel | Fringe Benefits | Percent Of Time |
|---|---|---|---|
| Administration | $13,255 | $1,856 | 55% |
| Publicity | 1,928 | 270 | 8% |
| Unserved Counties | 2,892 | 405 | 12% |
| Literacy | 6,025 | 843 | 25% |

A budget revision is now required because of:

(1) a change in scope;
(2) transfers of funds among projects exceed 10% of the grant

Budget Revision to be Requested

| Budget Category | Amount | Project From | Project To |
|---|---|---|---|
| Personnel | $3,000 | Administration | Publicity |
| Personnel | 3,000 | Administration | Unserved County |
| Fringe Benefits | 420 | Administration | Publicity |
| Fringe Benefits | 420 | Administration | Unserved County |
| Personnel | 1,687 | Publicity | Administration |
| Personnel | 1,928 | Unserved County | Administration |
| Personnel | 1,205 | Literacy | Administration |
| Fringe Benefits | 236 | Publicity | Administration |
| Fringe Benefits | 270 | Unserved County | Administration |
| Fringe Benefits | 169 | Literacy | Administration |

---

**Volunteer Services**

If volunteer services are reported as matching or in-kind contribution, time and attendance records must support the level of expenditures claimed. Subgrantees are required to use the same methods to document volunteer services as used for its employees.

---

**Recommended Form**

A suggested form (391-1) for documenting personnel time paid from grant funds, is included in this manual as Exhibit II. Subgrantees are not required to use this form unless they do not have an established method to document time and effort charged to grant accounts. The form must be used when grant-paid personnel spend time on multiple projects.

This form is the minimum requirement for documenting time and attendance and is incorporated in the Uniform Grant and Contract Management Standards. Documentation must be maintained regardless of how personnel costs are treated - indirect or direct.

---

**Retention of Forms**

Completed forms documenting time and attendance are not to be submitted to the Texas State Library. Forms should be retained by the subgrantee and made available for audit, if requested.

---

EXHIBIT II

Form 391-1

# TIME AND ATTENDANCE REPORT

| | | |
|---|---|---|
| Joan Green | Asst. Coordinator | June 30, 1991 |
| Name | Title | Period Ending |

513 / 74 / 2951
SOCIAL SECURITY NUMBER

| | 1/16 | 2/17 | 3/18 | 4/19 | 5/20 | 6/21 | 7/22 | 8/23 | 9/24 | 10/25 | 11/26 | 12/27 | 13/28 | 14/29 | 15/30 | /31 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Project Name and Number | | | | | | | | | | | | | | | | |
| Film Program | 3 | 7 | 1 | 4 | 2 | | | 0 | 6 | 2 | 6 | 5 | | | | |
| Publicity | 2 | 0 | 5 | 1 | 2 | | | 0 | 2 | 5 | 2 | 1 | | | | |
| Audio-Visual Services | 3 | 2 | 2 | 1 | 4 | | | 0 | 0 | 2 | 1 | 2 | | | | |
| | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | |
| Sub-Total Chargeable Time | 8 | 9 | 8 | 6 | 8 | | | 0 | 8 | 9 | 9 | 8 | | | | |
| Released Time | | | | | | | | | | | | | | | | |
| Sick Leave | | | | 2 | | | | | | | | | | | | |
| Vacation | | | | | | | | | | | | | | | | |
| Holiday | | | | | | | | 8 | | | | | | | | |
| Other (Describe) | | | | | | | | | | | | | | | | |
| Sub-Total Released Time | | | | 2 | | | | 8 | | | | | | | | |
| Total Chargeable and Released Time | 8 | 9 | 8 | 8 | 8 | | | 8 | 8 | 9 | 9 | 8 | | | | |

This is true and correct to the best of my knowledge.

Employee signature

Project director or supervisor

## III. ALLOCATION OF COSTS TO PROJECTS

| | |
|---|---|
| Introduction | When a grant consists of more than one project, such as the system grant, costs must be distributed to the various projects comprising the grant. |
| Supplies | Routinely, supplies are used solely for general system administrative purposes and are available to all system projects. Examples of these type of supplies are: letterhead, typewriter ribbons, pens, pencils and typing paper. These supplies can be charged to "Administration" since they support all system projects. |
| Supplies: Specific Projects | Any significant supply purchase supporting specific project activities (e.g., Film, Collection Development, Publicity) should be charged to the appropriate project. |
| Example One | Assume System X places an order for paper to print bookmarks. Since the paper is to be used exclusively for the "Publicity" project, the total cost must be charged to this project. |
| Example Two | The purchase of mailing bags for the "Books-by-Mail" project is another example of a supply purchase used to support the activities of a specific project. Consequently, the cost of this item would be assigned to the "Books-by-Mail" project. |
| How to Track Costs | Project managers may keep track of costs assignable to their project(s) by coding the purchase request when placing supply orders. |
| Postage | To the greatest extent possible, postage charges should be assigned to the appropriate project. Systems may initially assign all postage costs to the general administration project, "Administration." However, as usage is documented, the respective projects must be charged for actual postage used and the general systems administration project must be credited. |

**Example**

Assume System X purchased $1,000 of postage at the beginning of the quarter. During the quarter, project usage was:

| | |
|---|---|
| Film Library | $405 |
| Collection Development | $ 60 |
| Administration | $390 |
| Books-by-Mail | $145 |

Since each project must be charged based on the amount of postage used and the general systems administration project must be credited the subgrantee's accounting system would reflect the following entry:

| | | |
|---|---|---|
| Postage-Film Library | $405 | |
| Postage-Collection Development | $ 60 | |
| Postage-Books-by-Mail | $145 | |
| Postage-Administration | | $610 |

**Documenting Postage**

To facilitate the assignment of postage costs to the appropriate project, it is recommended that a postage log be maintained. By using the log, staff can accurately document the postage costs which should be assigned to the various system projects.

**Adjusting Project Accounts**

Systems must adjust the project accounts to reflect actual costs assignable to specific projects. The timing of the adjustments is optional. However, adjustments must be made at least quarterly so that the Financial Status Report will accurately reflect the level of expenditures for each project.

## IV. STANDARDS FOR FINANCIAL MANAGEMENT SYSTEMS

**Introduction**

Section 20 of the *Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* sets forth the basic financial management standards which apply to all grants.

**Standards**

Grantee financial management standards shall provide:

- accurate, current and complete disclosure of the financial results of each grant program;
- accounting records which identify the source and use of grant funds;
- effective control and accountability for all grant funds, property, and other assets;
- comparison of expenditures with budgeted amounts for each grant;
- procedures to minimize the time elapsing between receipt of grant funds and disbursement of funds;
- procedures for determining reasonableness, allowability, and allocability of grant costs in accordance with OMB Circular A-87 for governmental units, OMB A-122 for non-profit organizations, and OMB Circular A-21 for educational institutions.

**Review of System**

The awarding agency may review the adequacy of the financial management system of any applicant for financial assistance as part of a preaward review or at any time subsequent to the award.

## V. GRANT PAYMENTS

### Introduction

Section 21 of the *Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* prescribes the standard and methods under which payments are made for grants.

### Basic Standard

In all instances, the methods and procedures for payment of grant funds shall minimize the time elapsing between the receipt of grant funds and their disbursement.

### Advances

Advance grant payments may be requested in anticipation of expenditures. By contractual obligation, the advance will be for the amount of funds required to meet disbursement needs for up to a one month period, but should not be less than $250. As a criteria for receiving advances, procedures need to be maintained to minimize the time elapsing between the receipt of the funds and their disbursements. Future advance payments may not be approved should a pattern of excess cash on hand persists.

### Reimbursement

Reimbursement is the preferred method of grant payments when recipients can not meet the criteria for advance payments.

### Working Capital Advances

If a subgrantee cannot meet the criteria for advance payments stated above (good cash management) and does not have sufficient working capital, the grantor agency may provide cash on a "working capital advance" basis. Under this method of payment, the awarding agency shall advance cash to the subgrantee to cover its estimated disbursements for an initial period. Thereafter, the subgrantee will be reimbursed for its actual cash disbursements. This method of payment shall not be used by subgrantees if the reason for using this method is the unwillingness or inability of the awarding agency to provide timely advances to the subgrantee to meet actual cash disbursements.

### Interest Earned on Advances

Consistent with the requirements set forth in Section 21(i) of the *Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, all interest earned on advances must be refunded to the State Library. Subgrantees must remit promptly, but at least quarterly, interest earned on advances. Interest amounts up to $100 each year may be retained by the subgrantee for administrative expenses.

### Requesting an Advance or

The Request for Advance or Reimbursement (Form 270) is to be used to request grant payments for an advance and/or reimbursement. (See Exhibit III). (Recipients of construction grants will use Form 271, Outlay Report and Request for Reimbursement for Construction Programs, as shown in Exhibit IV.)

EXHIBIT III

# REQUEST FOR ADVANCE OR REIMBURSEMENT

*(See instructions on back)*

Approved by Office of Management and Budget, No. 80-R0183

Page of pages

1. TYPE OF PAYMENT REQUESTED
a. "X" one, or both boxes ☐ Advance ☒ Reimbursement
b. "X" the applicable box ☐ Advance ☒ Partial

3. Federal Sponsoring Agency and Organizational Element to Which This Report is Submitted: Texas State Library

4. Federal Grant or other Identifying Number Assigned By Federal Agency: 436.6

5. Partial Payment Request Number For This Request: 6

6. Employer Identification Number: 14305297104000

5. Recipient Account Number or identifying Number:

8. PERIOD COVERED BY THIS REQUEST
FROM (month, day, year): 02/01/91
TO (month, day, year): 02/28/91

9. Recipient Organization
Name: Anytown Public Library
Number and Street: 2003 Main Street
City, State and Zip Code: Anytown, Texas 93980

10. PAYEE (Where check is to be sent is different than item 9)
Name: City of Anytown
Number and Street: 1710 Main Street
City, State and Zip Code: Anytown, Texas 93980

## 11. COMPUTATION OF AMOUNT OF REIMBURSEMENTS/ADVANCES REQUESTED

| PROGRAMS/FUNCTIONS/ACTIVITIES | | (a) Contract 436.6 | (b) | (c) | TOTAL |
|---|---|---|---|---|---|
| a. Total program outlays to date (As of date) 2/28/91 | | $ 147,009 | $ | $ | $ |
| b. Less: Cumulative program income | | 129 | | | |
| c. Net program outlays (Line a minus line b) | | 146,883 | | | |
| d. Estimated net cash outlays for advance period | | | | | |
| e. Total (Sum of lines c & d) | | 146,883 | | | |
| f. Non-Federal share of amount on line e | | | | | |
| g. Federal share of amount on line e | | 146,883 | | | |
| h. Payments previously requested | | 122,402 | | | |
| i. Share now requested (line g minus line h) | | 24,481 | | | |
| j. Advances required by month, when requested by Federal grantor agency for use in making prescheduled advances. | 1st month | NA | NA | NA | NA |
| | 2nd month | NA | NA | NA | NA |
| | 3rd month | NA | NA | NA | NA |

## 12. ALTERNATE COMPUTATION FOR ADVANCES ONLY

| | |
|---|---|
| a. Estimated Federal cash outlays that will be made during period covered by the advance | $ |
| b. Less: Estimated balance of Federal cash on hand as of beginning of advance period | |
| c. Amount requested (Line a minus line b) | $ |

## 13. CERTIFICATION

I certify that to the best of my knowledge and belief the data above are correct and that all outlays were made in accordance with the grant conditions or other agreement and that payment is due and has not been previously requested.

Signature of Authorized Certifying Official

Typed or Printed Name and Title

This space for agency use

BEST COPY AVAILABLE

270-102

Standard Form 270 (7-76)
Prescribed by Office of Management and Budget
Cir. No. A-110

## INSTRUCTIONS

Please type or print legibly. Items 1, 3, 5, 9, 10, 11c, 11e, 11f, 11g, 11i, 12 and 13 are self-explanatory; specific instructions for other items are as follows:

| Item | Entry |
|---|---|
| 2 | Indicate whether request is prepared on cash or accrued expenditure basis. All requests for advances shall be prepared on a cash basis. |
| 4 | Enter the Federal grant number, or other identifying number assigned by the Federal sponsoring agency. If the advance or reimbursement is for more than one grant or other agreement, insert N/A; then, show the aggregate amounts. On a separate sheet, list each grant or agreement number and the Federal share of outlays made against the grant or agreement. |
| 6 | Enter the employer identification number assigned by the U.S. Internal Revenue Service, or the FICE (institution) code if requested by the federal agency. |
| 7 | This space is reserved for an account number or other identifying number that may be assigned by the recipient. |
| 8 | Enter the month day, and year for the beginning and ending of the period covered in this request. If the request is for an advance or for both an advance and reimbursement, show the period that the advance will cover. If the request is for reimbursement, show the period for which the reimbursement is requested. |
| Note: | The Federal sponsoring agencies have the option of requiring recipients to complete items 11 or 12, but not both. Item 12 should be used when only a minimum amount of information is needed to make an advance and outlay information contained in item 11 can be obtained in a timely manner from other reports. |
| 11 | The purpose of the vertical columns (a), (b), and (c), is to provide space for separate cost breakdowns when a project has been planned and budgeted by program, function, or activity. If additional columns are needed, use as many additional forms as needed and indicate page number in space provided in upper right; however, the summary totals of all programs, functions, or activities should be shown in the "total" column on the first page. |
| 11a | Enter in "as of date", the month, day, and year of the ending of the accounting period to which this amount applies. Enter program outlays to date (net of refunds, rebates, and discounts), in the appropriate columns. For requests prepared on a cash basis, outlays are the sum of actual cash disbursements for goods and services, the amount of indirect expenses charged, the value of in-kind contributions applied, and the amount of cash advances and payments made to subcontractors and subrecipients. For requests prepared on an accrued expenditure basis, outlays are the sum of the actual cash disbursements, the amount of indirect expenses incurred, and the net increase (or decrease) in the amounts owed by the recipient for goods and other property received and for services performed by employees, contracts, subgrantees and other payees. |
| 11b | Enter the cumulative cash income received to date, if requests are prepared on a cash basis. For requests prepared on an accrued expenditure basis, enter the cumulative income earned to date. Under either basis, enter only the amount applicable to program income that was required to be used for the project or program by the terms of the grant or other agreement. |
| 11d | Only when making requests for advance payments, enter the total estimated amount of cash outlays that will be made during the period covered by the advance. |
| 11j | N/A 1st month, N/A 2nd month, N/A 3rd month |
| 12a-c | N/A |
| 13 | Complete the certification before submitting this request. |

### Instructions for Completing Request for Advance or Reimbursement

It is imperative that this form be filled out completely and correctly. Failure to comply may result in a delay in the processing of the request. Exhibit III displays the appropriate method for completing the request. If requesting funds for more than three grant programs, you may use an additional Form 270. Be sure to include the contract numbers for each program across the top of line item 11 if multiple grant program payments are being requested. If the grant payment is for a single grant program, then state the contract number in line item 4.

The payment number should be placed in line item 5. If requesting the first payment of the grant period, the number 1 would be listed in this space. In the exhibit, payments have been requested each month of the grant; therefore, this payment request if appropriately identified as payment number 6.

Subgrantees are to enter their state vendor identification number in Item 6. Appendix H of this manual lists vendor identification numbers.

It is essential that the period covered, Item 8, is correctly completed. Advances may be requested only for a period of thirty (30) days. Please make certain that the period covered for advances does not exceed the thirty day requirement. The estimated expenditures for the advance period are to be stated in item 11(d).

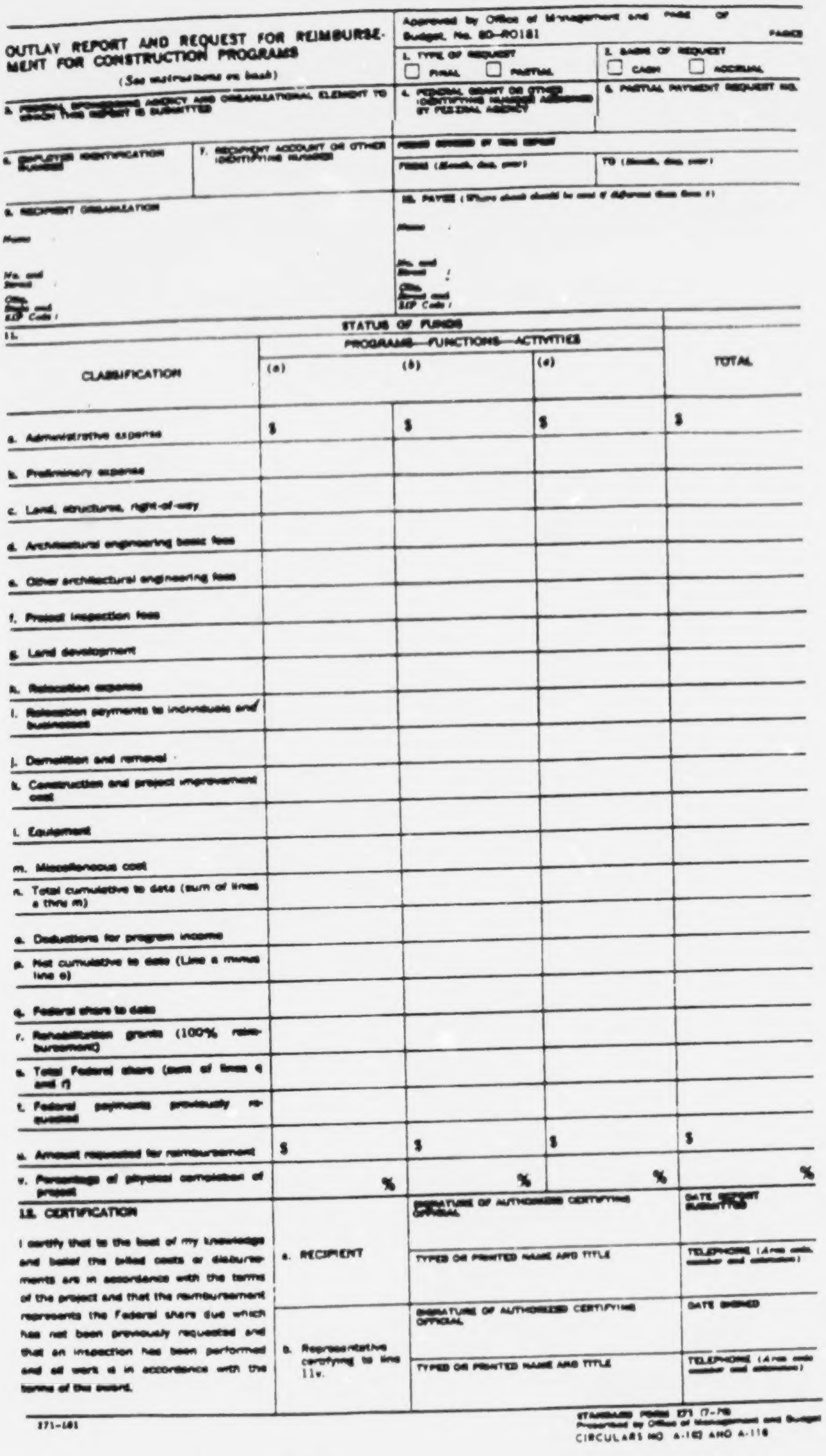
If program income has been received since the previous request for payment, enter this amount on Line 11(b). The amount of program income is deducted from total expenditures to date. (See section VI for a discussion of program income.)

The certification section of the form must be properly completed before submitting the request to the Texas State Library. The request can not be approved without the certification.

### When to Request Payment

Subgrantees are encouraged to request payments monthly. However, funds should be requested only when needed to liquidate existing obligations or expenditures anticipated during the next thirty (30) days. Federal and state regulations stipulate that grantee cash balances must not be excessive at any time. Consequently, the Texas State Library will not process requests for funds which reflect excessive balances unless a valid explanation is provided.

EXHIBIT IV



| | | | |
|---|---|---|---|
| **OUTLAY REPORT AND REQUEST FOR REIMBURSEMENT FOR CONSTRUCTION PROGRAMS**<br>(See instructions on back) | | Approved by Office of Management and Budget, No. 80-R0181 | PAGE OF PAGES |
| | | 1. TYPE OF REQUEST<br>☐ FINAL ☐ PARTIAL | 2. BASIS OF REQUEST<br>☐ CASH ☐ ACCRUAL |
| 3. FEDERAL SPONSORING AGENCY AND ORGANIZATIONAL ELEMENT TO WHICH THIS REPORT IS SUBMITTED | | 4. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER ASSIGNED BY FEDERAL AGENCY | 5. PARTIAL PAYMENT REQUEST NO. |
| 6. EMPLOYER IDENTIFICATION NUMBER | 7. RECIPIENT ACCOUNT OR OTHER IDENTIFYING NUMBER | 9. PERIOD COVERED BY THIS REPORT<br>FROM (Month, day, year) | TO (Month, day, year) |
| 8. RECIPIENT ORGANIZATION<br>Name<br>No. and Street<br>City, State and ZIP Code | | 10. PAYEE (Where check should be sent if different than item 8)<br>Name<br>No. and Street<br>City, State and ZIP Code | |

| 11. | STATUS OF FUNDS | | | |
|---|---|---|---|---|
| | PROGRAMS—FUNCTIONS—ACTIVITIES | | | |
| CLASSIFICATION | (a) | (b) | (c) | TOTAL |
| a. Administrative expense | $ | $ | $ | $ |
| b. Preliminary expense | | | | |
| c. Land, structures, right-of-way | | | | |
| d. Architectural engineering basic fees | | | | |
| e. Other architectural engineering fees | | | | |
| f. Project inspection fees | | | | |
| g. Land development | | | | |
| h. Relocation expense | | | | |
| i. Relocation payments to individuals and businesses | | | | |
| j. Demolition and removal | | | | |
| k. Construction and project improvement cost | | | | |
| l. Equipment | | | | |
| m. Miscellaneous cost | | | | |
| n. Total cumulative to date (sum of lines a thru m) | | | | |
| o. Deductions for program income | | | | |
| p. Net cumulative to date (Line n minus line o) | | | | |
| q. Federal share to date | | | | |
| r. Rehabilitation grants (100% reimbursement) | | | | |
| s. Total Federal share (sum of lines q and r) | | | | |
| t. Federal payments previously requested | | | | |
| u. Amount requested for reimbursement | $ | $ | $ | $ |
| v. Percentage of physical completion of project | % | % | % | % |

| | | | |
|---|---|---|---|
| **12. CERTIFICATION**<br>I certify that to the best of my knowledge and belief the billed costs or disbursements are in accordance with the terms of the project and that the reimbursement represents the Federal share due which has not been previously requested and that an inspection has been performed and all work is in accordance with the terms of the award. | a. RECIPIENT | SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL | DATE REPORT SUBMITTED |
| | | TYPED OR PRINTED NAME AND TITLE | TELEPHONE (Area code, number and extension) |
| | b. Representative certifying to line 11v. | SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL | DATE SIGNED |
| | | TYPED OR PRINTED NAME AND TITLE | TELEPHONE (Area code, number and extension) |

271-101

STANDARD FORM 271 (7-76)
Prescribed by Office of Management and Budget
CIRCULARS NO A-102 AND A-110

BEST COPY AVAILABLE

# INSTRUCTIONS

Please type or print legibly. Items 3, 4, 5, 8, 9, 10, 11s, and 11v are self-explanatory; specific instructions for other items are as follows:

| *Item* | *Entry* |
|---|---|
| 1 | Mark the appropriate box. If the request is final, the amounts billed should represent the final cost of the project. |
| 2 | Show whether amounts are computed on an accrued expenditure or cash disbursement basis. |
| 6 | Enter the employer identification number assigned by the U.S. Internal Revenue Service [or FICE (institution) code if requested by the Federal agency]. |
| 7 | This space is reserved for an account number or other identifying number that may be assigned by the recipient. |
| 11 | The purpose of vertical columns (a) through (c) is to provide space for separate cost breakdowns when a large project has been planned and budgeted by program, function or activity. If additional columns are needed, use as many additional forms as needed and indicate page number in space provided in upper right; however, the summary totals of all programs, functions, or activities should be shown in the "total" column on the first page. All amounts are reported on a cumulative basis. |
| 11a | Enter amounts expended for such items as travel, legal fees, rental of vehicles and any other administrative expenses. Include the amount of interest expense when authorized by program legislation. Also show the amount of interest expense on a separate sheet. |
| 11b | Enter amounts pertaining to the work of locating and designing, making surveys and maps, sinking test holes, and all other work required prior to actual construction. |
| 11c | Enter all amounts directly associated with the acquisition of land, existing structures and related right-of-way. |
| 11d | Enter basic fees for services of architectural engineers. |
| 11e | Enter other architectural engineering services. Do not include any amounts shown on line d. |
| 11f | Enter inspection and audit fees of construction and related programs. |
| 11g | Enter all amounts associated with the development of land where the primary purpose of the grant is land improvement. The amount pertaining to land development normally associated with major construction should be excluded from this category and entered on line k. |
| 11h | Enter the dollar amounts used to provide relocation advisory assistance and net costs of replacement housing (last resort). Do not include amounts needed for relocation administrative expenses; these amounts should be included in amounts shown on line a. |
| 11i | Enter the amount of relocation payments made by the recipient to displaced persons, farms, business concerns, and nonprofit organizations. |
| 11j | Enter gross salaries and wages of employees of the recipient and payments to third party contractors directly engaged in performing demolition or removal of structures from developed land. All proceeds from the sale of salvage or the removal of structures should be credited to this account; thereby reflecting net amounts if required by the Federal agency. |
| 11k | Enter those amounts associated with the actual construction of, addition to, or restoration of a facility. Also, include in this category, the amounts for project improvements such as sewers, streets, landscaping, and lighting. |
| 11l | Enter amounts for all equipment, both fixed and movable, exclusive of equipment used for construction. For example, permanently attached laboratory tables, built-in audio visual systems, movable desks, chairs, and laboratory equipment. |
| 11m | Enter the amounts for all items not specifically mentioned above. |
| 11n | Enter the total cumulative amount to date which should be the sum of lines a through m. |
| 11o | Enter the total amount of program income applied to the grant or contract agreement except income included on line j. Identify on a separate sheet of paper the sources and types of the income. |
| 11p | Enter the net cumulative amount to date which should be the amount shown on line n minus the amount on line o. |
| 11q | Enter the Federal share of the amount shown on line p. |
| 11r | Enter the amount of rehabilitation grant payments made to individuals when program legislation provides 100 percent payment by the Federal agency. |
| 11t | Enter the total amount of Federal payments previously requested, if this form is used for requesting reimbursement. |
| 11u | Enter the amount now being requested for reimbursement. This amount should be the difference between the amounts shown on lines s and t. If different, explain on a separate sheet. |
| 12a | To be completed by the recipient official who is responsible for the operation of the program. The date should be the actual date the form is submitted to the Federal agency. |
| 12b | To be completed by the official representative who is certifying to the percent of project completion as provided for in the terms of the grant or agreement. |

BEST COPY AVAILABLE

**Final Request for Payment**

Grant recipients are required to submit a final Request for Reimbursement with their final Financial Status Report. This report is due at the Texas State Library 60 days after the of the grant year or **October 31**. If the grant recipient has received payments in excess of actual grant expenditures, a check refunding excess payments must accompany the final Financial Status Report.

**Payment Requests: Title III Grants**

Cities or counties awarded Title III grants must request funds on the Form 270 (Exhibit III). Other recipients of Title III grants must request reimbursement on a State of Texas Voucher (Exhibit V). Vouchers can be submitted only for reimbursement of actual costs incurred. They cannot be used to request funds to cover anticipated expenses.

When submitting the final voucher for the grant year, please indicate "FINAL." The final voucher must be submitted with the final Financial Status Report which is due at the State Library on October 31.

**Where to Submit Requests**

All Requests for Advance or Reimbursement and all State of Texas Vouchers should be submitted to the following address:

**Texas State Library**
**Library Development Division**
**P.O. Box 12927**
**Austin, Texas 78711**
**Attention: Grants Administrator**

EXHIBIT V

Comptroller's Form 74-112 (Rev. 7-85/5)

**STATE OF TEXAS PURCHASE VOUCHER**

e. Agency Voucher No

| a. Trans Code | b. Batch No | c. Agency No | d |
|---|---|---|---|
| 090 |  | 306 |  |

f. Comptroller's Voucher No

g. Agency Name TEXAS STATE LIBRARY
P.O. Box 12927, Austin, TX 78711

h. Order Date

i. Requisition No

j. Invoice Date

k. Voucher Amount

l. Payee Reference No

m. Purchasing Comm. No

o. Comptroller's Vendor I.D. No. 01768000525810

p. Agency Voucher No

| q Fund No | r FY | s Cost Center | t Comp Object | u Agency Object | v Amount | w Vendor Invoice No |
|---|---|---|---|---|---|---|
|  |  |  |  |  |  |  |
| y TOTAL |  |  |  |  |  |  |

x. Pay To: (Name, Address, City, State, ZIP)

The Library Consortium
231 Adams Street
Sunset, Texas 90013

(Agency Use)

ACT
APPRO
CLASS
AMOUNT $

| z. DELIVERY DATE | aa. DESCRIPTION OF ARTICLES OR SERVICES | bb. QUANTITY | cc. UNIT PRICE | dd. AMOUNT |
|---|---|---|---|---|
| 9/1/89 | Reimbursement for services rendered for the Library Consortium OCLC Union List of Serials. |  |  |  |
| 10/31/89 | Services performed September-October, 1989 |  |  |  |

| | |
|---|---|
| Contractual | $ 9,718.00 |
| Supplies | 136.75 |
| Indirect Costs | 430.00 |
| Total | $10,284.75 |

CONTRACT #267.8

ee.

**AGENCY CERTIFICATION--**
I certify that the above services were rendered, or goods received, and that they correspond in every particular with the contract under which they were procured and that the invoice is true and unpaid.

Name Title

Name Title

ff. Date Approved for payment

Name Title

Name Title

PRICES ABOVE ARE APPROVED
State Purchasing and General Services Commission
BY

## VI. PROGRAM INCOME

### Introduction

Section 25 of the *Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Government* sets forth the standards which govern the definition of and accounting for program income.

### Definition

Program income is defined as gross income earned by the grantee from grant supported activities. These earnings exclude interest which may be earned on advance payments made to the grantee. (See Section V for a discussion of interest income).

The common rule for state and local grant administration also defines program income as income earned during the grant period. This means that subgrantees are accountable only for income earned between the effective date of the grant award and the date of the final expenditure report.

### Examples

Program income includes, but is not limited to, income received from the sale of equipment no longer needed, income for services provided under contract, recovery of costs for sale of publications e.g., posters, catalogs, etc., and income generated from fines for overdue films.

### Lost or Stolen Materials

Some systems require member libraries to replace materials which are lost or stolen while on loan. Any reimbursement received from member libraries is considered program income and must be deposited in the system grant account. If the stolen, lost or misplaced item is on inventory, a Property Disposition Report must be filed with the Texas State Library. (Refer to Section IX of this manual for specific instructions.)

### Overdue Films

If the system charges member libraries or member library patrons for overdue films, the proceeds must also be deposited into the system grant account. In the event the film program is supported by both local and grant funds, program income must be prorated between the system and the local government. Program income may be prorated based on factors such as: 1) number of films purchased during a specified period; 2) number of films owned; or 3) total expenditures for the film program.

### Examples of Prorating Program Income

| IF THE SYSTEM... | IF THE MRC... | THEN PROGRAM INCOME IS PRORATED... |
|---|---|---|
| purchased 200 films in FY 1988 | purchased 300 films in FY 1988 | 42% System<br>58% MRC |
| has a film library of 7,000 films | has a film library of 3,000 films | 70% System<br>30% MRC |
| expended $110,000 for film program | expended $188,000 for film program | 37% System<br>63% MRC |

### Accounting and Reporting

There are several alternative methods available for the accounting of program income. Grant agreements with the Texas State Library stipulate that program income can be added to the funds committed to the project and used to further project objectives. Any program income generated during the grant period, but not expended by the end of the grant, must be refunded to the State Library. (Not applicable to service agreements or interagency contracts).

Program income must be recorded and accounted for as any other grant related funds. Program income may be applied to expenditure categories not specifically authorized in the contract, provided it is expended for the purpose of the grant program. If program income is used for unbudgeted objectives, this constitutes a change in scope; therefore, a budget revision is required. The program revision procedures are detailed in Section VIII of this manual.

### Income After the Grant

There are no Federal or State requirements governing the use of program income after the end of the grant period. Since the *Common Rule* defines program income as income generated during the period of the grant, subgrantees are not accountable to the State Library for program income after the final Financial Status Report is submitted. This does not apply to System Operation Grants or Interlibrary Loan Grants since they are renewed annually.

## VII. AUDITS

### Introduction

Office of Management and Budget Circular A-128 *Audits of State and Local Governments* establishes the audit requirements for recipients of federal and state funds who are cities or counties. Office of Management and Budget Circular A-133, *Audits of Institutions of Higher Education and other Non-Profit Institutions* contains the audit requirements for subgrantees who are not governmental entities.

### Basic Rule

Subgrantees are responsible for ensuring that audits are made of their records and activities. They must obtain audits in accordance with A-128 if a city or county and A-133 if an educational institution or nonprofit organization. The audits must be made by an independent auditor and in accordance with generally accepted governmental auditing standards covering financial and compliance audits. Audits shall be made annually unless the state or local government has a constitutional or statutory requirement which mandates a less frequent audit.

An annual audit must be conducted in accordance with A-128 or A-133 if a subrecipient receives $100,000 or more a year in federal financial assistance.

Local governments and non-profit institutions that receive between $25,000 and $100,000 a year have the option to conduct an audit in accordance with A-128 or A-133, as applicable, or in accordance with federal laws and regulations governing the programs in which they participate.

An audit is not required if a governmental entity receives less than $25,000 a year in federal financial assistance, but records must be available for review by officials of the Texas State Library. Additionally, these entities shall be governed by audit requirements prescribed by state or local law or regulation.

### Auditor Selection

The most effective means for evaluating the qualifications of auditors to perform a grant audit is to request written proposals which describe their understanding of the grant program, their experience performing similar audits, their personnel, and their firm's overall qualifications. This is usually accomplished by a request for proposal. At a minimum the request for proposal should: 1) define the audit scope requirements, 2) evaluate the auditor's qualifications and independence, and 3) define criteria for the audit examination, evaluation, and report.

---

Subgrantees are expected to procure audit services using their own procurement standards provided they meet the standards in Section 36 of the *Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.* It is expected that competitive procurement will insure an arm's-length relationship between the subrecipient and the accounting firm or auditor and increase the chances of obtaining audit services at a reasonable cost.

---

**Audit Standards**

Subrecipients should include the following standards in all auditing contracts:

1) Perform a financial and compliance audit in accordance with generally accepted auditing standards (AICPA); generally accepted government auditing standards - the Yellow Book (GAO); OMB Circulars A-128 or A-133, as applicable; *Compliance Supplement for Single Audits of State and Local Governments*; *Audits of State and Local Governments*; *Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*; and OMB Circulars A-87 or 21, as applicable.

2) Issue two separate reports

    a. Financial, including the agency's financial statements, schedules of federal financial assistance and other information, and auditor's opinion letter.

    b. Management letter, including a report on internal accounting controls; federal grant compliance matters; the entity's comments on the auditor's findings and recommendations; the entity's plan for corrective action, including a time frame or reason a plan is not necessary; and status of corrective action on prior findings.

3) Communicate with the entity being audited and federal and state cognizant agency to ensure compliance with A-128 or A-133.

4) Distribute independent auditor's reports to the subrecipient being audited and the entity requesting audit.

5) Maintain audit reports on file for five years from date reports were issued.

---

**Audit Due Dates and Distribution**

The audit report for subgrantees conducting a single audit is due at the Texas State Library no later than 12 months following the close of the municipal fiscal year. In accordance with A-128, it is the responsibility of the subgrantee to provide the State Library with a copy of the audit report. The retention requirement for audit reports is five years from the date of issuance.

Recipients of more than $100,000 in Federal funds must submit a copy to the Bureau of Census within thirty (30) days of issuance. The mailing address is :

National Clearinghouse for Single Audits
Bureau of Census
1201 East 10th Street
Jefferson, Indiana 47132

**Project Audit**

Those subgrantees who are outside the scope of the single audit should submit a project audit. This audit must be conducted according to an Audit Guide issued by the Texas State Library prior to the end of each state fiscal year. The project audit is due at the Texas State Library by February 1 of the year following the close of the grant period. For example, if the grant period is from September 1, 1991 to August 31, 1992 then the audit report would be due by February 1, 1993.

## VIII. PROGRAM REVISION PROCEDURES

**Introduction**

The program projections may need to be revised to meet unanticipated requirements during the grant period. The program revision may consist of scope changes, budget amendments, and/or prior approvals. The Program revision procedures are available to make these adjustments.

**Definition**

A program revision is the process by which a subgrantee changes program objectives or changes how grant funds are programmed.

**When Required**

A program revision will be required when:

- The scope or the objectives of the grant change;
- The cumulative transfers of funds among direct cost categories exceed ten percent of the total budget and the budget is $100,000 or more;
- The cumulative transfers of funds among projects exceed ten percent of the total budget and the budget totals $100,000 or more;
- An expenditure of grant funds involves a cost requiring prior approval;
- Funds are transferred to a cost category not authorized in the contract;
- Funds are transferred to a project not authorized in the contract.
- Funds allocated in the budget for training are transferred to other expense categories.

**Scope Changes: Defined**

The scope of a grant may be changed when the program is implemented in a different way from the original program, that is, if there is a substantive difference in the approach or method used to reach program objectives.

**Scope Changes: Procedures**

Subgrantees are required to obtain the written authorization of the Texas State Library for scope changes. The procedures for obtaining this authorization is on page 31 of this manual.

**Transfer of Funds**

In most instances, when changing budgeted projections, funds will be transferred among projects, among direct cost categories or to a project not authorized in the grant. A transfer of funds may also be required when there is a change in program objectives or program scope.

**Transfer of Funds: Procedures**

| IF YOU TRANSFER FUNDS ... | THEN GO TO PAGE ... |
|---|---|
| because of a change in project scope or objectives | 31 |
| among projects (systems only) | 32 |
| among direct cost categories | 34 |
| to a cost category not authorized in the contract | 35 |
| to a project not authorized in the contract (systems only) | 36 |

**Prior Approval Costs**

Grantees are encouraged to include any expenditure of grant funds requiring prior approval in the grant application. However, if such costs are budgeted after the contract has been awarded, subgrantees must request a budget revision. Prior approval costs are:

- Automatic data processing
- Building space and related facilities
- Capital expenditures
- Insurance and indemnification
- Management studies
- Professional services
- Proposal costs

**Procedures**

The procedures for securing prior approval, vis-a-vis the program revision process, appear on pages 40-42.

# CHANGES IN PROJECT SCOPE OR PROJECT OBJECTIVES

How To Obtain Approval

- Secure the written authorization of the system advisory council, if a system grant is involved.
- Prepare the program revision form (see Appendix B) to the Texas State Library which incorporates the proposed change in approach or method used to reach project objectives.
- Submit form and council certification to the appropriate project manager.

| | |
|---|---|
| Disadvantaged Services | Barbara Crosby |
| Establishment Grants | Dick Getz |
| Interlibrary Loan | Rebecca Linton |
| Major Urban Resource Libraries (MURLs) | Dick Getz |
| Project Partners | Dick Getz |
| Systems | Lisa deGruyter |
| Title III | Dick Getz |

- State Library reviews and approves or disapproves
- State Library sends a letter to notifying subgrantee of action taken on request

---

Example One

Assume system member libraries decide, during the grant period, to expand the Videocassette project by expending $10,000 for the acquisition of videocassettes. Since this activity was not originally part of the approved plan of service and represents a change in how the objectives of the Videocassette project will be accomplished, a scope change is required.

---

Example Two

In the annual program of service, System Z designates $42,000 for the acquisition of printed materials and $13,000 for nonprinted materials. After the grant begins, the member libraries vote to allocate collection development funds as follows: $47,000 printed materials and $8,000 nonprinted materials. Since this represents a difference in the approach used to reach project objectives, the system must request a scope change.

---

Example Three

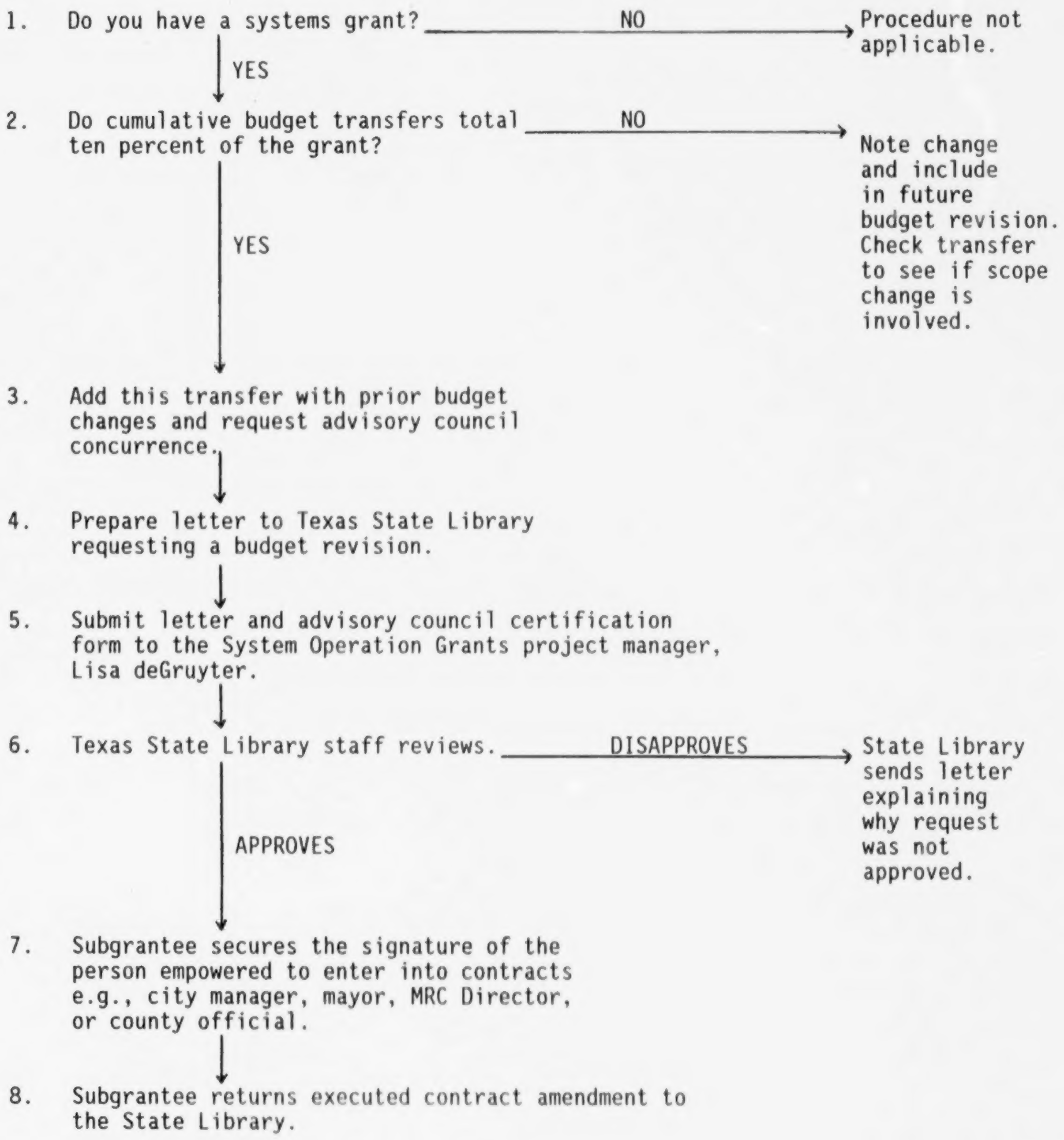
Assume a grantee is authorized to expend $4,000 for a microcomputer and accompanying software. During the grant year, the grantee receives a microcomputer as a gift from a corporation. Therefore, the grantee wishes to rebudget $4,000 for the purchase of library materials. Prior to expending grant funds, the grantee must secure authorization from the State Library because of a change in program direction.

---

Example Four

Included in System Y's plan of service is the acquisition of two film inspection machines. Subsequently, the system plans to purchase several items of equipment for its cable program instead. This represents a change in project scope. When requesting the scope change, the grantee also requests prior approval for the new items of equipment not authorized in the existing contract.

## TRANSFER OF FUNDS AMONG PROJECTS
## (System Grants Only)



1. Do you have a systems grant? — NO → Procedure not applicable.
   YES ↓
2. Do cumulative budget transfers total ten percent of the grant? — NO → Note change and include in future budget revision. Check transfer to see if scope change is involved.
   YES ↓
3. Add this transfer with prior budget changes and request advisory council concurrence.
   ↓
4. Prepare letter to Texas State Library requesting a budget revision.
   ↓
5. Submit letter and advisory council certification form to the System Operation Grants project manager, Lisa deGruyter.
   ↓
6. Texas State Library staff reviews. — DISAPPROVES → State Library sends letter explaining why request was not approved.
   APPROVES ↓
7. Subgrantee secures the signature of the person empowered to enter into contracts e.g., city manager, mayor, MRC Director, or county official.
   ↓
8. Subgrantee returns executed contract amendment to the State Library.

## Transfer of Funds Among Projects, Continued

---

Example

System Y has a $897,432 grant. A budget amendment is required: 1) if the grant amount is $100,000 or more and 2) when the cumulative transfers total ten percent of the grant amount. Ten percent of $897,432 is $89,743. Assume the following transfers occurred:

| Date | Amount of Transfer | Cumulative Transfers | Description of Change |
|---|---|---|---|
| 11/21 | $10,000 | 0 | Transfer from personnel in the Unserved Counties project to personnel in the Rotating, Deposit, Extension Services project |
| 11/21 | $ 4,600 | $14,600 | Transfer from fringe benefits in the Unserved Counties project to supplies in the Rotating, Deposit, Extension Services project |
| 12/10 | $24,500 | $39,100 | Transfer from supplies in the Film project to supplies in Collection Development. |
| 3/9 | $33,600 | $72,700 | Transfer from contractual in the Administration project to supplies in the Automation project |
| 3/12 | $17,143 | $89,843 | Transfer from supplies in the Video project to supplies in Collection Development |

Since the ten percent (10%) ceiling was reached on March 12, a budget revision is required.

---

Important Notes

- **The example is limited to transfers among projects, but the cumulative transfers may be a combination of transfers among projects and transfers among direct cost categories.**
- **To be included in the transfer of funds process, a project must be authorized in the grant agreement. If a project is not authorized, see page 34 for how to obtain approval.**

---

## TRANSFER OF FUNDS AMONG DIRECT COST CATEGORIES

1. Do cumulative budget transfers total ten percent of the grant? — NO → Note change and include in future budget revision request.

   ↓ YES

2. Add this change to any other budget changes. System must secure advisory council concurrence for transfers involving scope changes.

   ↓

3. Prepare form to the Texas State Library requesting contract amendment.

   ↓

4. Submit form and council certification to the respective project manager.

| | |
|---|---|
| Disadvantaged Services | Barbara Crosby |
| Establishment Grants | Dick Getz |
| Interlibrary Loan | Rebecca Linton |
| Major Urban Resource Libraries (MURLs) | Dick Getz |
| Project Partners | Dick Getz |
| Systems | Lisa deGruyter |
| Title III | Dick Getz |

5. Texas State Library reviews and — DISAPPROVES → Texas State Library sends letter explaining why request was not approved.

   ↓ APPROVES

6. Subgrantee secures the signature of the persons empowered to enter into contractual agreements e.g., city manager, mayor, MRC Director, county official.

   ↓

7. Subgrantee returns executed form to the State Library.

---

**Example One** Assume a subgrantee has received a grant of $85,000. Assume further the subgrantee wants to purchase additional library materials with excess funds in the "Personnel" budget category. Since the total grant is less than $100,000 a budget revision is not required. However, it is important to make sure that a scope change or prior approval cost is not involved in budgetary transfers.

---

**Example Two** Assume System X has a grant totaling $338,394; therefore, ten percent (10%) totals $33,839. The following transfers of funds have occurred:

## Transfer of Funds Among Direct Cost Categories, Continued

| Date | Amount of Transfer | Cumulative Transfers | Description of Change |
|---|---|---|---|
| 1/14 | $5,050 | 0 | Transfer from supplies in Film project to personnel in Publicity. |
| 3/20 | $6,000 | $11,050 | Transfer from travel in Unserved Counties to travel in Administration. |
| 4/30 | $10,799 | $21,849 | Transfer from contractual in Automation project to supplies in Rotating, Deposit and Extension Services. |
| 5/31 | $11,995 | $33,844 | Transfer from equipment in Automation to supplies in Collection Development. |

### Comment

Since the cumulative total of transfers among direct cost categories reached the ten percent (10%) ceiling on May 31, a budget revision must be requested.

### Direct Costs Category Not Authorized in Contract

Funds cannot be transferred into a direct cost category that is not authorized in the grant agreement without prior approval from the Texas State Library. For example, assume System X wants to transfer $1,000 from salaries in the Film Project to travel in the Automation project. The system did not budget any funds for travel in this project; consequently, there are zero dollars in the contract for the "Travel" expense category. Before making this transfer, the system must request a budget revision although the 10% ceiling may not have been reached.

As another example, assume a subgrantee has a contract of $75,000. Further assume the subgrantee did not budget funds in the category "Contractual" but wants to transfer $200 into this expense category. While a budget transfer is not required because the contract is less than $100,000, authorization is required from the State Library prior to making this transfer because this was this budget category was not authorized in the contract.

### Important Note

**The example focused only on transfers among direct cost categories however, for system grants, the cumulative transfers may be a combination of transfers among direct cost categories and among projects.**

## TRANSFER OF FUNDS TO A PROJECT NOT AUTHORIZED IN THE CONTRACT
## (System Grants Only)

1. Do you have a system grant? → NO → Procedure not applicable.

   ↓ YES

2. Are funds being transferred to a project not authorized in the system program of service? → NO → No action required.

   ↓ YES

3. Secure advisory council authorization.

   ↓

4. Prepare project narrative, statistical projections, personnel data, and budget.

   ↓

5. Develop letter informing Texas State Library of desire to include project in current year's program of service.

   ↓

6. Submit letter, advisory council certification, and project documentation to System operations grant project manager - Lisa deGruyter.

   ↓

7. Texas State Library staff reviews and → DISAPPROVES → State Library sends letter explaining why request was not approved.

   ↓ APPROVES

8. Subgrantee secures the signature of the person empowered to enter into contractual agreements, e.g., city manager, mayor, MRC Director, county official.

   ↓

9. Subgrantee sends executed letter to TSL.

   ↓

10. Contract is now formally amended to reflect this change.

---

Example

Assume System X desires to transfer funds into a Video Project but the project was not authorized in the annual program of service or the contract. The system cannot transfer funds into this project until approval has been obtained from the Texas State Library. To be eligible for inclusion in the transfer of funds process, a project must have been incorporated in the approved annual program of service and in the contract as per Paragraph V. of the grant agreement, "Bases for Calculating Reimbursable Costs." Approval of this project is dependent upon submission of appropriate project documentation and certification of system advisory council review.

## PRIOR APPROVAL COSTS

1. Expenditure authorized in the contract. NO → No action required since cost was authorized in the contract.

   ↓ YES

2. Secure advisory council authorization if this expenditure would change the scope of the project or the project objectives.

   ↓

3. Check the prior approval guidelines in Appendix B to determine if specific information must be included in the request. If documents such as bid specifications are required, these must be submitted with the request.

   ↓

4. Prepare letter to the Texas State Library requesting approval of the cost.

   ↓

5. Submit letter, advisory council certification and other required documentation to the respective project managers:

   ↓

| | |
|---|---|
| Disadvantaged Services | Barbara Crosby |
| Establishment Grants | Dick Getz |
| Interlibrary Loan | Rebecca Linton |
| Major Urban Resource Libraries (MURLs) | Dick Getz |
| Project Partners | Dick Getz |
| Systems | Lisa deGruyter |
| Title III | Dick Getz |

   ↓

6. Texas State Library staff reviews and DISAPPROVES → Send letter explaining why request not approved.

   ↓ APPROVES

7. Subgrantee secures the signature of the person empowered to enter into contractual agreements e.g., city manager, mayor, MRC Director, county official.

   ↓

8. Subgrantee returns executed letter to the Texas State Library.

See Appendix B for prior approval guidelines.

---

Example One A subgrantee wishes to purchase office furniture subsequent to the issuance of the grant agreement. Since this purchase was not authorized in the grant agreement or contract, the subgrantee needs to obtain prior approval for this expenditure.

## Prior Approval Costs, Continued

**Example Two**

As part of the grant agreement, System X was authorized to purchase three chairs for the system's office. However, it was ascertained that additional chairs would be required. Since only three chairs were authorized, approval must be obtained before purchasing the additional items.

**Example Three**

A subgrantee received authorization to purchase a typewriter as part of the grant agreement. Subsequently, it is decided that a VHS recorder will be purchased instead. The VHS recorder was not authorized in the grant agreement; therefore, the subgrantee must request prior approval.

**Example Four**

Subsequent to receiving its contract, System Y decides to purchase a microcomputer for the system office. The system must secure the concurrence of its advisory council and prepare a revised project narrative per the guidelines in Appendix B. These documents are submitted to the State Library for review. The system must receive prior authorization before expending grant funds.

**Prior Approval Vis-A-Vis the Grant Agreement**

- When a subgrantee submits a request for prior approval, the contract must be amended to include this cost(s) in the prior approval section, if authorized by the Texas State Library.
- The subgrantee cannot exceed the quantity of items specified in the contract or subsequent contract amendment. For example, if four (4) cameras are authorized, this is the maximum that can be purchased without further authorization from the State Library.
- The subgrantee may purchase fewer items than approved without obtaining further authorization.
- The subgrantee may choose not to purchase an item listed in the prior approval section of the contract without penalty.
- The financial amounts listed in the prior approval section of the contract are only budget estimates and merely set the parameter for the expenditure.
- When requesting prior approval it is advisable to amend the contract budget "Bases for Calculating Reimbursable Costs" so that it will conform with the prior approval section of the contract.
- Unless a prior approval cost is included in the Plan of Service, a library system must secure Advisory Council concurrence.

Prior
Approval
Vis-A-Vis
the Grant
Agreement
(continued)

- Some examples of when a concurrence is required are:

  If the System Plan of Service stipulates that member libraries will have the option to purchase equipment as part of the Collection Development program, a list of specific items must be submitted along with Advisory Council concurrence.

  If the System Plan of Service states that computer equipment will be purchased during the year, the system must submit certification of Advisory Council review and a revised project narrative when requesting prior approval.

- Advisory Council concurrence will not be required, if the information contained in the System Plan of Service identifies specific options such as:

  Member libraries will have the option to purchase audiovisual equipment, e.g., video recorders, phonographs, tape recorders, film projectors, etc. The system will merely submit an itemized list when it is determined which items will be purchased.

  The system will purchase 16 microcomputers and printers for a budgeted cost of $60,000. Since the expenditure is more than $10,000, the system must submit bid specifications.

  Computer software will be purchased by member libraries as part of the non-print materials in the Collection Development program.

---

Important
Note

**Prior approval costs are authorized only when the grantee has received written approval from the Texas State Library and concurrence from the city or appropriate person with authority to enter into contractual agreements. Authorization is obtained through a letter formally amending the respective contract.**

## IX. PROPERTY ACQUISITION AND MANAGEMENT

**Introduction**

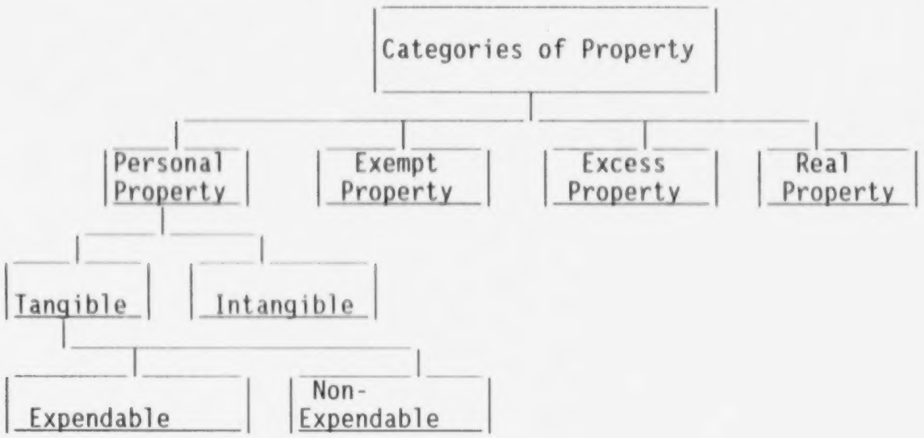
Sections 32, 33, and 34 of the *Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* set forth the guidelines for the acquisition and management of grant related property.

**What is Property**

Property includes:

- Real property
- Equipment
- Supplies
- Inventions, patents, copyrights

**Categories of Property**


Categories of Property
Personal Property
Exempt Property
Excess Property
Real Property
Tangible
Intangible
Expendable
Non-Expendable

**Exempt Property**

Exempt property is defined as property for which the Federal or State agency has statutory authority to vest title in the subgrantee with no further obligation or accountability to the Federal or State government for its use or disposition.

**Excess Property**

Excess property is Federal or State property no longer needed by the grantor agency.

---

**Real Property**

- Buildings, land, including improvements, structures, and appurtenances.

- Title is vested in the subgrantee as long as the property is used for its original purpose.

- Approval must be obtained from the grantor agency prior to using the property for other purposes.

- Approval can be given by the grantor agency if: (1) the property will be used for another federally or state supported project or (2) if the property will be used for a project not supported by the federal or state government. The purpose of which is consistent with the purpose under which the grant was initially made.

- Disposition of real property:

  Retain the property and pay the grantor agency its share of the market value;

  Sell the property and pay the grantor agency its share based on matching or cost sharing ratios;

  Transfer title for the property to the grantor agency and be reimbursed for the subgrantee's share of the market value.

---

**Personal Property**

There are two major categories of personal property:

- Tangible

- Intangible

Tangible personal property is further sub-divided into:

A. Nonexpendable personal property - library materials and equipment with a unit acquisition cost of $300 or more and a life expectancy of one or more years. This property includes, but is not limited to, equipment, books, computer software, films, videocassettes, and other print and non-print materials. Title to non-expendable personal property shall be vested in the subgrantee. (See exception on page 42.)

B. Expendable personal property - property items with a unit acquisition cost of less than $300 and a life expectancy of less than one year. Such items do not need to be inventoried with the State Library.

---

### Title to Personal Property: System Grants

Generally, title to property acquired under a grant is vested in the grant recipient. However, as of September 1, 1985, title to property purchased under a System Operation Grant shall be vested in the Texas State Library or the system member library.

If the property cost $300 or more per unit, title shall be vested in the State Library. If the property cost less than $300 per unit, title shall be vested in the system member library for which the property was purchased.

### Property Acquisition

Property can only be acquired if provided for in the grant agreement or in a budget revision. The acquisition cost of property means the net invoice unit price including the costs of accessories, attachments or modifications required to make the property usable for the purpose intended. Charges for the cost of installation, transportation, taxes, etc. shall be included or excluded from the unit acquisition cost based on the subgrantee's regular accounting practices. The State Library must approve each capital expenditure in advance of purchase, which includes equipment and computer software costing $300 or more with a useful life of more than one year.

### Property Disposition: All Grant Programs and System Grants Through FY 1985

Title to property rests in the subgrantee, not the grantor agency. However, property with a purchase price of $1,000 or more, may be transferred by the State Library to another location, for example, if a MRC ceases to be the Major Resource Center or an Interlibrary Loan Center. The subgrantee should not sell or dispose of any property costing more than $1,000 without the prior consent of the State Library. Specific instructions are contained in Section 32 of the *Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*. Instructions are also listed in the Texas State Library Property Inventory Guidelines, Appendix E and the Library Materials Inventory Guidelines, Appendix F.

Property costing less than $1,000 per item may be disposed of according to the provisions of the *Common Rule*. The property may be sold and the proceeds deposited into a current grant account. If the property was purchased with Interlibrary Loan funds, then the proceeds are deposited into an Interlibrary Loan account. If the equipment was purchased with systems funds (or with any other grant funds from the State Library, i.e., Disadvantaged, Title III, etc.), then the proceeds are deposited into the current systems account. The subgrantee should deposit the proceeds from the sale of federally-purchased equipment into a current federal account and income from the sale of state-purchased equipment into a state account. See pp. 24-25 of this manual for more information on program income.

**Property Disposition: System Grants After FY 1985**

When disposing of grant property acquired prior to September 1, 1985, systems shall follow the guidelines stated on page 42 of this manual.

Guidelines for disposing of property acquired as of September 1, 1985 are as follows:

- Property with a unit cost of $300 or more may be sold and the proceeds submitted to the State Library
- Property with a unit cost of less than $300 may be sold and the proceeds retained by the member library for which it was purchased.

Detailed instructions, regarding disposition of property purchased with system grant funds, are contained in Texas State Library Property Inventory Guidelines - System Operations Grants, Appendix D. Because of the need to distinguish which disposition guidelines are operative, system grant recipients are urged to contact the State Library prior to disposing of any property.

**Property Disposition Report**

A Property Disposition Report should be filed with the State Library for each property item to be removed from inventory due to loss, theft, sale, trade-in or other circumstances. All records pertaining to property which has been removed from inventory must be retained for five years from the date on which disposition takes place.

**Property Management Practices and Procedures**

According to the *Common Rule*, subgrantees must have property management practices and procedures. The subgrantee must:

- Maintain accurate property records which include:
    a. Description of the property;
    b. Manufacturer's serial number, model number, Federal stock number or other identification number;
    c. Source of the property, including grant or agreement number;
    d. Whether title rests with the grantee or grantor agency;
    e. Acquisition date and cost;
    f. Percentage (at the end of the budget year) of Federal or State participation in the cost of the project for which the property was acquired;
    g. Location, use, and condition of the property and date the information was reported;

### Property Management Practices and Procedures (continued)

h. Unit acquisition cost;

i. Ultimate disposition date, including date of disposal and sales price or the method used to determine current fair market value where a grantee compensates the grantor agency for its share.

- At least once every two years, take a physical inventory of property and reconcile the results with property records. Also verify the existence, current use and continued need for the property.
- Establish a control system to safeguard property, thereby preventing loss, damage, or theft of the property. Any loss, damage, or theft shall be fully documented.

### Property Inventory

To be in compliance with *Common Rule*, an inventory will be conducted by the State Library every two years. A print-out of all property purchased by the subgrantee under library grants will be provided. The print-out must be updated and returned to the State Library by the designated date, which is usually nine months from the mailing date.

Beginning with fiscal year 1983 grants, all personal property purchased with grant funds costing $300 or more and having a useful life of more than one year must be submitted to the Texas State Library on inventory record forms. Personal property includes library materials, books, films, audiovisual materials, videocassettes, equipment, computer software, etc. This requirement is not retroactive and applies only to 1983 grants and each successive grant year. Property Inventory Guidelines and Library Materials Guidelines are presented in this manual as Appendix D, E and F.

### Reporting Property Purchased with Grant

All non-expendable personal property purchased by grant recipients, with a unit cost of $300 or more, must be reported to the Texas State Library. These items must be listed on the Form TSL 51-12, "Property Inventory Record" and forwarded to the State Funds Library by October 31 following the close of the grant year. For example, if the grant period is September 1, 1991 to August 31, 1992, the forms are due no later than October 31, 1992. Non-expendable personal property includes equipment, books, films, video-cassettes, computer hardware and software, and other library materials. Forms are provided each subgrantee when the contract for their grant project is forwarded.

**Determining the Unit: Library Materials**

Subgrantees may encounter some difficulty in determining what represents a unit for some types of library materials. Essentially the rule of thumb is whether or not pieces can be purchased separately. The volumes of an encyclopedia cannot be acquired individually; however, titles in most series can be purchased separately.

**Determining the Unit: Example**

For example, the series "America" includes a number of separate film and videocassette titles which can be purchased individually. Thus, while the World Book Encyclopedia would be inventoried as a set, each title in a film series like "America" would be inventoried as an individual purchase.

**Supplies**

Title to supplies acquired with grant funds is vested in the subgrantee upon acquisition. If at the end of the grant period there is a residual inventory of unused supplies totaling $5,000 (cities or counties) or $1,000 (all other subgrantees), and the supplies are not needed for any currently or previously federal or state sponsored project, the subgrantee may retain or sell the supplies and pay the granting agency its share of the market value or sales proceeds. If sold, grantees may deduct from the federal or state share, the greater of $100 or 10 percent of the proceeds for selling expenses. In the event the value of supplies is less than $5,000, ($1,000 for non-governmental subgrantees) at the close of the grant, the subgrantee may retain or sell the supplies without compensating the State Library.

Subgrantees should not maintain a large inventory of supplies since these costs could be disallowed under the cost principles, which state that costs must be reasonable and necessary. (Refer to pages 2 and 3 of this manual for a discussion of basic cost principles).

**Copyrights**

Generally, grant recipients are free to copyright any books, publications, films or other copyrightable material developed during a grant. However, the grantor agency has a royalty-free, nonexclusive, and irrevocable right to reproduce, translate, use, and dispose of the materials and to authorize others to do so for government purposes.

## X. DEBARMENT AND SUSPENSION

---

**Introduction**

Section 35 of the *Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* stipulates that grantees may not make any award or permit any award at any tier to a party debarred or suspended from participation in Federal assistance programs.

---

**Executive Order 12549**

This order was signed by the president on February 18, 1986 as part of the Reagan administration's initiatives to curb fraud, waste, and abuse. The order established government-wide rules for non-procurement debarment or suspension. Guidelines issued by the Office of Management and Budget, which implement the order, state that "It is the policy of the federal government to conduct business only with responsible persons. Debarment and suspension are serious actions which shall be used only in the public interest and for the federal government's protection and not for the purpose of punishment."

---

**Causes for Debarment and Suspension**

The grounds for debarment or suspension focus on the commission of fraud or wrongdoing. Whether it is against a federal agency, state, or individual, it is the act of wrongdoing that is key. The three categories of causes for action, as outlined in the *Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, are:

> conviction or civil judgment for fraud, criminal offenses, violation of antitrust statues, embezzlement, theft, forgery, bribery, falsification of records, false claims, obstruction of justice or "other offenses indicating a lack of business integrity or business honesty that seriously and directly affects the present responsibility of a person;
>
> violation of a public agreement "so serious as to affect the integrity of an agency program" such as a willful failure to perform, history of substantial non-compliance, and willful violation of statutory or regulatory provisions;
>
> knowingly doing business with debarred or suspended parties or failure to pay a substantial debt or a number of outstanding debts.

---

**Applicability**

The *Common Rule* covers any individual or company that submits a proposal for, enters into or reasonably may be expected to enter into a "covered transaction." There are two types of "covered transactions" - primary and lower tier. *Primary covered transactions* are all federal activities (except federal procurements), including grants, cooperative agreements, and loans. Lower tier transactions are those between a grantee and another person, organization, or contractor.

There are three types of lower tier transactions:

Subgrants: All subgrants including block grants and pass through programs regardless of type of recipient.

Contracts under grants that exceed $25,000: Contracts under grants for goods and services, regardless of the type of recipient (state or local government, non-profits, or commercial organizations)

Contracts with persons who have critical influence or substantive control: Notwithstanding the $25,000 threshold, the services of certain categories of individuals who have critical influence or substantive control over the transaction, such as principal investigators on research grants and providers of federally required audit services.

**Compliance**

There are two ways to comply with debarment and suspension:

1) Review the "List of Parties Excluded from Federal Procurement and Non-Procurement Programs", and

2) Use of certifications at the time the grant application or contract is received.

A copy of the *Government-Wide Common Rule for Non-Procurement Debarment and Suspension* is provided in Appendix G of this manual. The certification form for lower tier transactions is included in the document as Appendix A - Certification Regarding Debarment, Suspension, Ineligibility, and Voluntary Exclusion - Lower Tier Transactions.

**Expenditure of Grant Funds**

Subgrantees are required to obtain a certification from all contractors above $25,000 and contracts with persons for key activities. The transactions for which certification must be received are:

All contracts over $25,000 for goods or services.

Contracts with a person with critical influence or control regardless of amount must include certification. Principal investigators and auditors fall in this category.

---

### Drug-Free Workplace Act

The Drug-Free *Workplace Act of 1988 requires federal grantees* and contractors to certify that they have a drug-free workplace. This piece of legislation was enacted as part of the omnibus anti-drug legislation.

---

### Compliance

To comply with this requirement, a grantee must establish a written policy that informs its employees that the unlawful possession, distribution or manufacturing of a controlled substance is prohibited. This requirement is one of the conditions of the grant and applies to any grantee or individual who receives a grant directly from the federal government. A controlled substance is as defined by the Controlled Substances Act (21 U.S.C. 812). Failure to comply with the act can result in suspension of payments, suspension or termination of grants, or suspension and debarment.

---

### Applicability

This regulation applies to grants approved or awarded on or after March 18, 1989. The regulation applies only to assistance provided from a federal agency directly to a grantee. For example, if a state agency receives a federal grant and passes through the funds to several local agencies, only the state agency is required to certified that is has a drug-free workplace. The subrecipient of the pass through funds are not required to make drug-free workplace certifications. Consequently, recipients of Texas State Library grants are not required to certify that their work-place is drug-free.

---

### Implementation

To implement the act 35 federal agencies adopted a common rule that sets forth requirements for grantee compliance with the act. The common rule amended these agencies' non-procurement suspension and debarment regulations. A copy of the *Governmentwide Debarment and Suspension (Non-Procurement) and Governmentwide Requirements for Drug-Free Workplace (Grants)* is reprinted in this manual as Appendix H.

## XI. PROCUREMENT STANDARDS

### Introduction

The subgrantee shall use its own procurement procedures if they conform to the applicable state and local laws and regulations. In addition, the procedures must adhere to the standards prescribed in Section 36 of the *Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.* Grantees other than cities and counties are required to follow the standards in Office of Management and Budget A-110, *Grants and Agreements with Institutions of Higher Education, Hospitals, and other Non-Profit Organizations.*

### Contract Administration

Each subgrantee is expected to perform administrative tasks to ensure all contractors perform as set forth in the contractual agreement. A system of contract administration must be in place to insure that contractors' performance is satisfactory and conforms to the terms, and conditions of their contracts and/or purchase orders.

### Code of Conduct

In order to govern the performance of officers, employees or agents involved in the award and administration of contracts, the subgrantee must have a written code of conduct. No person involved in the procurement process may accept gifts, favors, or anything of monetary value from contractors or potential contractors. The The code of conduct, to the extent permitted by law, shall provide for penalties, sanctions, or other disciplinary action for the violation of such standards by officers, employees, or agents, or by contractors or their agents. The subgrantee has the ultimate responsibility for monitoring the conduct of employees, officers and agents.

### Economic Procurement

Subgrantees are encouraged to use grant funds in an economical manner by avoiding purchasing unnecessary or duplicative items. There are several procedures available to meet this objective.

1. Lease/purchase analysis: Consider leasing as an alternative to outright purchasing items. Where appropriate, an analysis will be made of lease versus purchase alternatives to determine the most economical method.

2. Cooperative purchasing: Enter into intergovernmental agreements for purchasing through consortium arrangements, e.g., one governmental entity make purchase on behalf of itself and other jurisdictions to achieve administrative efficiencies or economies of scale. Subrecipients, who are governmental entities, may also consider purchasing goods and services from state contract.

3. Federal excess and surplus: When available and reduces project cost, subgrantees are encouraged to use Federal excess and surplus equipment as opposed to purchasing new equipment.

4. Value engineering: Use value engineering clauses in contracts for construction projects. Value engineering is a means for contractors to change the plans, designs, and specifications for projects to lower the grantee's costs for goods and services while maintaining necessary quality levels.

### Contractor Qualifications

Subgrantees are directed by the *Common Rule* for state and local governments to award contracts only to responsible contractors that possess the ability to perform successfully under the terms and conditions of a proposed contract. The following criteria should be used to determine if the contractor can fulfill the terms and conditions: contractor integrity, past performance, financial and technical resources, and compliance with public policy.

Sub-grantees are prohibited from doing business with any contractor that has been debarred or suspended under the government-wide suspension and debarment system. To comply with the debarment requirements, subgrantees must obtain a certification from bidders for contracts over $25,000 or with persons who will have critical influence over a contract. This certification states that the contractor is not prohibited from working on federally assisted projects.

### Records

Subgrantees are responsible for maintaining adequate records pertaining to procurement. These records shall include, at a minimum, the rationale for the method of procurement, selection of type of contract, selection or rejection of a specific contractor and the basis for the cost or price.

### Mediation

The grantor agency is not responsible for the settlement of contractual and administrative issues related to procurements. Subgrantees are responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues related to procurements. These issues include, but are not limited to, source evaluation, protests, disputes, and claims. Violations of law are to be referred to local, state or federal authority having proper jurisdiction. Subgrantees are required to have protest procedures to handle and resolve disputes relating to their procurements and shall in all instances disclose information regarding the protest to the awarding agency.

### Competition

All procurement transactions shall be conducted to provide maximum open and free competition. This competition should occur regardless of the dollars involved or the method of procurement used. There are several situations which restrict competition. Some are:

- unreasonable requirements placed on firms to qualify;
- unnecessary experience and excessive bonding;
- non-competitive pricing practice between firms;
- organizational conflicts of interest;
- specifying "brand name" products;
- noncompetitive awards to consultants on retainer;
- any arbitrary action in the procurement process

**Local Preference**

Subgrantees must conduct procurements in a manner that prohibit the use of statutorily or administratively imposed in-State or local geographic preferences in the evaluation of bids or proposals. The only exception to this requirement is those cases where applicable Federal statutes expressly mandate or encourage geographic preference. When contracting for A/E services (architectural and engineering), geographic location may be a selection criteria provided there will be an appropriate number of qualified firms to bid on the project.

**Selection**

Subgrantees shall have written selection procedures which will include the following:

- A clear and accurate description of technical requirements for the material, product, or service to be procured. However, these requirements must not restrict competition.
- A statement of the qualitative nature of the material, product, or service to be procured and the minimum essential characteristics and standards to which it must conform.
- Detailed product specifications should be avoided if at all possible.
- "Brand name or equal" description should be used only when it is impractical or uneconomical to make a clear and accurate description of the technical requirements.
- Specific features of the named brand shall be clearly stated.
- Awards shall be made only to responsible contractors with the ability to successfully perform the terms and conditions of a proposed procurement.
- Ensure that all prequalified lists used in acquiring goods and services are current and include enough qualified sources for open and free competition.

## Methods

Subgrantees may choose from four methods of procurement: small purchase, sealed bids (formal advertising), competitive proposals, and non-competitive proposals.

*Small purchase* - These are less formal, relatively simple procedures for purchasing goods, services, and supplies. Local governments are authorized to use small purchase procurement for contracts under $25,000. If the local government's limit is lower, then this limit must be observed. Price or rate quotations must be obtained from an adequate number of qualified sources.

*Competitive sealed bids* - A firm-fixed-price contract is made to the bidder whose bid conforms with the material terms and condition of the invitation to bid and is the lowest price. If price is not the single factor in determining the winning bid, the Request for Bids must clearly describe other factors and the method for applying them when evaluating the bids. Under the sealed bid method for procurements, all bids may be rejected if there is a well documented reason.

*Competitive proposals* - This method is generally used when conditions are not appropriate for sealed bids. A Request for Proposal is used to identify all evaluation factors and their relative importance. Proposals are solicited from an adequate number of sources and the contractor is selected based on a technical evaluation of the proposals. Awards are made to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered.

*Non-competitive proposals* - This method may only be used when the other procurement methods are not feasible and the following circumstances apply:

- the item is available from only one source;
- there is a public exigency or emergency need for the item which will not permit the delay resulting from competitive solicitation;
- the awarding agency authorizes non-competitive proposals; and
- after solicitation of a number of sources, competition is determined inadequate.

The method used and the type of procurement system established is the decision of the local entity or governing authority. The Texas State Library does recommend that the local governmental unit use an appropriate procurement method and have adequate procurement standards. As part of the organization wide audit mandated by OMB Circular A-128, an examination will be made of procurement procedures to ensure that all grant-related purchases were incurred in accordance with competitive purchasing procedures.

### Affirmative Action

The *Common Rule* stipulates that subgrantees take all necessary affirmative steps to assure that minority firms, women's business enterprises, and labor surplus area firms are used when procuring goods and services. These affirmative steps include:

- ensuring that small and minority-owned business are solicited whenever they are potential sources;
- including qualified small and minority-owned businesses on solicitation lists;
- dividing total requirements, if economically feasible, into smaller tasks or quantities to permit maximum small and minority business participation;
- establishing delivery schedules which encourage participation of small and minority businesses;
- using the services and assistance of the Small Business Administration and the Minority Business Development Agency of the Department of Commerce; and
- requiring the prime contractor to take the affirmative steps listed above with regard to subcontracts.

### Contract Cost and Pricing

Subgrantees must perform a cost or price analysis for every procurement action including contract modifications. If the sealed bid method is used, a cost or price analysis is not required. When noncompetitive proposals are used, a cost analysis is essential. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation. Cost analysis is not required when prices are set by law or regulations, for example, utility rates.

Profit shall be negotiated as a separate element of the price for each contract in which there is no price competition and in all cases where cost analysis is performed.

The cost plus-a-percentage of cost method for determining contract price is prohibited. Under this method of procurement, profit is calculated as a percentage of contractor cost. Therefore, the incentive to hold down costs is absent while the incentive to increase costs is usually operative.

### Submission of Procurement Documents

Generally, the subgrantee is not required to submit its procurement documents to the grantor agency. However, should any of the following conditions exist, the subgrantee must submit the documents:

- Contracts exceed $25,000 ($5,000 if non-governmental recipient) and is non-competitive or if only one bid is received in response to the invitation to bid;
- Contracts over $25,000 (governmental recipient) and specifies a brand name product;
- Contracts over $25,000 are to be awarded to other than the lowest bidder under a sealed bid procurement (governmental subrecipients).
- The subgrantee is procuring computer hardware, computer software, or automation professional services exceeding $10,000 ($5,000 if city or county with a population less than 50,000);
- The subgrantee is procuring professional services for which the documents will support a request to the Texas State Library for prior approval of the anticipated expense;
- The subgrantee's procurement procedures do not comply with one or more major aspects of the *Common Rule*.

Bonding

For construction or improvement subcontracts exceeding $100,000, the Texas State Library may accept the bonding policy and requirements of the subgrantee provided it is determined that the State Library and the Department of Education's interests are adequately protected. In the event such a determination is not made, these minimum requirements must be met by subgrantees:

- A bid guarantee from each bidder equivalent to five percent of the bid price. This shall consist of a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder, if given the bid, will execute such contractual documents as may be required within the specified time.
- A performance bond on the part of the contractor for 100 percent of the contract price. This bond shall be executed in connection with the contract to ensure the contractor fulfills all obligations under such contract.
- A payment bond on the part of the contractor for 100 percent of the contract price. This bond assures payment, as required by law, to all persons supplying labor and material in the execution of the work provided for in the contract.

**Contract Provisions**

The *Common Rule* sets forth several provisions which must be included in all procurement contracts:

- Procedure to remedy breaches or violations of a contract;
- Provisions for termination of contracts in excess of $10,000. Also conditions under which contracts may be terminated for default and for convenience.
- The contractor must have an Affirmative Action Plan in compliance with Executive Order 11246, "Equal Employment Opportunity" if contract is in excess of $10,000.
- Notice of grantor agency regulations pertaining to inventions and copyright on materials generated under the contract.
- Federal agencies have access to contractor records which are pertinent to grant supported contracts.
- Include provision of Davis Bacon Act which requires all contractors who receive $2,000 or more to pay laborers and mechanics at least weekly the prevailing wage established by the Department of Labor.
- Construction contracts must include Section 103 and 107 of the Contract Work Hours and Safety Standards Act which requires contractors to pay an overtime rate of one and one-half time the basic hourly rate and provide safe and healthy work surroundings and conditions.
- Contractors must comply with the Copeland "Anti-Kickback" Act which stipulates that contractors on construction and repair projects cannot induce any person employed on a project to give up any part of his or her just compensation.
- All contracts in excess of $100,000 must include the provision requiring compliance with the Clean Air Act, Clean Water Act, Executive Order 11738, and Environmental Protection Agency regulations.
- Contracts must include a provision requiring records to be retained five years after the final payments and all other pending matters are closed.

## XII. PERFORMANCE REPORTING

### Introduction

Section 40 of the *Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* requires subgrant supported activities to be monitored by the awarding agency and sets forth the provisions for monitoring and reporting of program performance.

### Objectives

The primary objective of programmatic reports is to assist the Texas State Library in monitoring the effectiveness of grant supported activities. Additionally, the reports provide valuable input regarding the accomplishment of project goals and objectives. Program reports are very similar to financial reports since they provide accountability for the results of the grant project.

### Required Reports

All library grants require the submission of several performance reports. These reports have been stipulated in the respective contracts and also appear on the Timelines on pages 58-64 of this manual. Reports which must be submitted during the grant period for their respective contracts are:

| Interlibrary Loan | System Operation | Title III, Project Partners, Establishment, and Disadvantaged Grants |
|---|---|---|
| Monthly Activity Report | Statement of Objectives | Evaluation Report |
| Turn Around Time Report | Uniform Statistical Reporting Form<br>Workshop Reporting Form | Uniform Statistical Reporting Form |
| | Evaluation Report | |
| | Disadvantaged Services Report | |

### Due Dates

The Interlibrary Loan and System statistical reports must be completed for each month, although they only need to be submitted to the State Library on the quarterly due dates of December 31, March 25, June 25, and September 25. We recommend, however, that you submit the forms at the close of each month.

---

| | |
|---|---|
| **Note to Systems** | **We cannot prove effective with the Budget Board unless we have the second quarter Uniform Statistical Reporting form by the first week in March and the fourth quarter report by the first week in September.** |
| Evaluation Reports | All subgrantees, excluding recipients of interlibrary loan and construction grants, are required to submit two evaluation reports. (Refer to Timelines on pages 58-64 for specific due dates). Two copies of the report should be submitted, one of which will be forwarded to the Department of Education in Washington, D.C. All data provided in the quarterly statistical reports must be consistent with the data specified in the evaluation report. |
| Statistical Targets for Systems | Statistical targets provided on the Uniform Statistical Reporting Forms and the Local/Systems Objectives Report form may not be revised. Each system has the opportunity to explain why goals and objectives were exceeded or were not met in the evaluation report. |
| Statistical Performance Report for Competitive Grants | Beginning with the SFY 1990 fiscal year, all competitive grant recipients are to submit two statistical performance reports. These reports will provide information regarding various statistical targets which will be designated on the Uniform Statistical Reporting Form for each competitive grant program. The initial report will be due at the end of the first six months of the grant with the second report due following the close of the grant period. For specific dates, see the timeline for the various competitive grants on pages 60-64 of this manual. |

## REPORTING REQUIREMENTS

### Timeline System Operation Grants - FY 1992

| | |
|---|---|
| December 31, 1991 | • Uniform Statistical Reporting Form<br>• Statement of Objectives Form<br>• Workshop Reporting Form<br>• Financial Status Report |
| March 5, 1992<br>March 25, 1992 | • Uniform Statistical Reporting Form<br>• Statement of Objectives Form<br>• Workshop Reporting Form<br>• Financial Status Report<br>• Evaluation Report |
| June 25, 1992 | • Uniform Statistical Reporting Form<br>• Statement of Objectives Form<br>• Workshop Reporting Form<br>• Financial Status Report |
| September 7, 1992<br>Septemer 25, 1992 | • Uniform Statistical Reporting Form<br>• Statement of Objectives Form<br>• Workshop Reporting Form<br>• Financial Status Report<br>• Evaluation Report |
| October 31, 1992 | • *Financial Status Report<br>• Final Request for Reimbursement or Grant Refund Check<br>• Property Inventory Record |
| Monthly | • Request grant payments<br>• Monitor Cash Balances |
| Annually | • Audit Report - 12 months after close of municipal fiscal year |

For System Operation Grants funded with Texas General Revenue (Library Systems Act):

| | |
|---|---|
| December 31, 1992 | • Financial Status Report |
| March 25, 1993 | • Financial Status Report<br>• Final Request for Reimbursement or grant refund check<br>• Property Inventory Record |

**NOTE:** Please submit second quarter Uniform Statistical Reporting Form by the first week in March and the fourth quarter report by the first week in September.

* Not required for system operation grants funded with Texas general revenue (Library Systems Act)

## REPORTING REQUIREMENTS

### Timeline - Interlibrary Loan Grants - FY 1992

| | |
|---|---|
| December 31, 1991 | • Monthly Activity Reports<br>• Turn Around Time Reports<br>• Financial Status Report |
| March 25, 1992 | • Monthly Activity Reports<br>• Turn Around Time Reports<br>• Financial Status Report |
| June 25, 1992 | • Monthly Activity Reports<br>• Turn Around Time Reports<br>• Financial Status Report |
| September 25, 1992 | • Monthly Activity Reports<br>• Turn Around Time Reports<br>• Financial Status Report |
| October 31, 1992 | • Financial Status Report<br>• Final Request for Reimbursement or Grant Refund Check<br>• Property Inventory Record |
| Monthly | • Request grant payments<br>• Monitor Cash Balances |
| Annually | • Audit Report - 12 months after close of municipal fiscal year |

**NOTE:** Please submit second quarter Monthly Activity Report by the first week in March and the fourth quarter report by the first week in September.

## REPORTING REQUIREMENTS

### Timeline Establishment Grants - FY 1992

| | |
|---|---|
| December 31, 1991 | • Financial Status Report |
| March 5, 1992 | • Uniform Statistical Reporting Form |
| March 25, 1992 | • Financial Status Report<br>• Evaluation Report |
| June 25, 1992 | • Financial Status Report |
| September 7, 1992 | • Uniform Statistical Reporting Form |
| September 25, 1992 | • Financial Status Report<br>• Evaluation Report |
| October 31, 1992 | • Financial Status Report<br>• Final Request for Reimbursement or Grant Refund Check<br>• Property Inventory Record |
| Monthly | • Request grant payments<br>• Monitor Cash Balances |
| Annually | • Audit Report - 12 months after close of county fiscal year |

## REPORTING REQUIREMENTS

### Timeline - MURLS Grants - FY 1992

| | |
|---|---|
| December 31, 1991 | • Financial Status Report<br>• Evaluation Report |
| March 5, 1992 | • Uniform Statistical Reporting Form |
| March 25, 1992 | • Financial Status Report<br>• Evaluation Report |
| June 25, 1992 | • Financial Status Report<br>• Evaluation Report |
| September 7, 1992 | • Uniform Statistical Reporting Form |
| September 25, 1992 | • Financial Status Report<br>• Evaluation Report |
| October 31, 1992 | • Financial Status Report<br>• Final Request for Reimbursement or Grant Refund Check<br>• Property Inventory Record |
| Annually | • Audit Report - 12 months after close of the local fiscal year |

## REPORTING REQUIREMENTS

### Timeline - Construction Grants - FY 1992

| | |
|---|---|
| Weekly | • Payrolls and Statements of Compliance |
| Quarterly | • Outlay Report and Request for Reimbursement for Construction Grants |
| Annually | • Audit Report - 12 months after close of local fiscal year |

## REPORTING REQUIREMENTS

### Timeline - Title III Grants - FY 1992

| | |
|---|---|
| December 31, 1992 | • Financial Status Report |
| March 5, 1992 | • Uniform Statistical Reporting Form |
| March 25, 1992 | • Financial Status Report |
| | • Evaluation Report |
| June 25, 1992 | • Financial Status Report |
| September 7, 1992 | • Uniform Statistical Reporting Form |
| September 25, 1992 | • Financial Status Report |
| | • Evaluation Report |
| October 31, 1992 | • Financial Status Report |
| | • Final Request for Reimbursement or Grant Refund Check |
| | • Property Inventory Record |
| February 1, 1992 | • Audit Report - Project Audit |
| | • Single Audit - 12 months after close of municipal fiscal year |
| Monthly | • Request grant payments |

## REPORTING REQUIREMENTS

### Timeline Services to Disadvantaged Populations
### Grants - FY 1992

| | |
|---|---|
| December 30, 1991 | • Financial Status Report |
| March 5, 1992 | • Uniform Statistical Reporting Form |
| March 25, 1992 | • Financial Status Report |
| | • Evaluation Report |
| June 25, 1992 | • Financial Status Report |
| September 7, 1992 | • Uniform Statistical Reporting Form |
| September 25, 1992 | • Financial Status Report |
| | • Evaluation Report |
| October 31, 1992 | • Financial Status Report |
| | • Final Request for Reimbursement or Grant Refund Check |
| | • Property Inventory Record |
| Monthly | • Request grant payments |
| | • Monitor Cash Balances |
| Annually | • Audit Report - 12 months after close of local fiscal year |

## REPORTING REQUIREMENTS

### Timeline Project Partners Grants - FY 1992

| | |
|---|---|
| December 31, 1991 | • Financial Status Report |
| March 5, 1992 | • Uniform Statistical Reporting Form |
| March 25, 1992 | • Financial Status Report<br>• Evaluation Report |
| June 25, 1992 | • Financial Status Report |
| September 7, 1992 | • Uniform Statistical Reporting Form |
| September 25, 1992 | • Financial Status Report<br>• Evaluation Report |
| October 31, 1992 | • Financial Status Report<br>• Final Request for Reimbursement or Grant Refund Check<br>• Property Inventory Record |
| Monthly | • Request grant payments<br>• Monitor Cash Balances |
| Annually | • Audit Report - 12 months after close of local fiscal year |

## XIII. FINANCIAL REPORTING

---

**Introduction**

It is essential that subgrantees periodically provide financial information to the grantor agency. Section 41 of the *Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* prescribes the procedures for reporting financial information concerning grants. In addition, the forms which the grantor agency must use to request financial information are addressed in this section of the *Common Rule*.

---

**Required Reports**

The standard reporting form, which will be required by the State Library, for reporting grant expenditures and obligations is:

The Financial Status Report (Form 269)

---

**Financial Status Report (FSR)**

The Financial Status Report is used to report the status of grant funds for the applicable reporting period. The form is submitted quarterly, (refer to the timelines on pages 61-67 for specific dates), with a **final report** being submitted on **October 31**. The first overdue notice will be sent when the report is not submitted twenty (20) days after the due date. The overdue notice for the first quarter will be sent fifteen (15) days after the due date. If the report is not received within 15 days from the date of the overdue notice, a suspension letter will be sent. The suspension letter will notify the grantee that grant suspension will occur in 15 days if the report is not submitted.

The grant suspension cycle for SFY 1992 is provided below.

***Reporting Period***: September 1, - November 30, 1991
***Due Date***: December 31, 1991
***Overdue Notice***: January 15, 1992
***Suspension Letter***: January 31, 1992
***Grant Suspended***: February 17, 1992

***Reporting Period***: December 1, 1991 - February 29, 1992
***Due Date***: March 25, 1992
***Overdue Notice***: April 15, 1992
***Suspension Letter***: April 30, 1992
***Grant Suspended***: May 15, 1992

---

---

### Financial Status Report (FSR) Cont'd

***Reporting Period***: March 1 - May 31, 1992
***Due Date***: June 25, 1992
***Overdue Notice***: July 15, 1992
***Suspension Letter***: July 31, 1992
***Grant Suspended***: August 17, 1992

***Reporting Period***: June 1, - August 31, 1992
***Due Date***: September 25, 1992
***Overdue Notice***: October 15, 1992
***Suspension Letter Sent***: November 2, 1992
***Funds Withheld or Current Grant Suspended***: November 17, 1992

***Reporting Period***: September 1, - October 31, 1992
***Due Date***: October 31, 1992
***Overdue Notice***: November 20, 1992
***Suspension Letter Sent***: December 5, 1992
***Funds Withheld or Current Grant Suspended***: December 20, 1992

**Additional FSR's for system operation grants funded with Texas general revenue (LSA) must be submitted according to the following schedule unless all funds are expended:**

***Reporting Period***: September 1, 1992 - November 30, 1992
***Due Date***: December 26, 1992
***Overdue Notice***: January 15, 1993
***Suspension Letter Sent***: February 17, 1993
***Funds Withheld or Current Grant Suspended***: March 3, 1993

***Reporting Period***: December 1, 1992 - February 29, 1993
***Due Date***: March 25, 1993
***Overdue Notice***: April 15, 1993
***Suspension Letter***: May 15, 1993
***Funds Withheld or Current Grant Suspended***: May 30, 1993

---

### Instructions for Preparing the FSR

Instructions for completing the form are on the reverse side of the sheet. Most of the computations required to prepare the report are explained in the instructions. Definitions for specific terms used on the Form 269 are included in the instructions. A sample Financial Status Report appears as Exhibit VI. Please note that all items on the form must be completed. System Operation Grant recipients must complete a Financial Status Report for each project.

---

### Program Income

Program income realized from grant activities must be identified in Item 10c of the Financial Status Report. An explanation of the source of the program income, the amount of program income, and the disposition of the income must be provided in the remarks section, Item 12. It is appropriate to use a separate sheet, if necessary, to detail the information required.

### Reconciling Financial Status Reports to City Expenditure Records

The data contained in both the Financial Status Report and the Supplemental Financial Status Report must be consistent with the local government's expenditure records. If the library maintains accounting records, reports may be prepared based on these records only if the library can set up valid obligations on behalf of the city. This means that the point of obligation occurs when the encumbrance is entered on the library's records and is recognized by the city's accounting system. When this condition exists, it is appropriate to prepare the expenditure reports from the library's accounting records.

### Construction Grants

The SF 271 - Outlay and Request for Reimbursement for Construction Program - is the form used to report on the status of construction grants. This form is also used to request grant funds. (See page 18 of this manual which discusses grant payments for construction grants.

### High Risk Grantees

When a subgrantee is considered "high-risk", agencies may impose additional reporting requirements. A grantee is considered high-risk if it has a history of poor performance, is not financially stable, or does not have a financial management system that meets the standards set forth in the common rule for state and local grant administration. Subrecipients meeting this criteria are notified in writing why additional requirements are necessary and what corrective action is needed.

EXHIBIT VI

# Standard Form 269

## Financial Status Report

(Long Form)

(Follow instructions on the back)

| | | | |
|---|---|---|---|
| 1. Federal Agency and Organizational Element to Which Report is Submitted<br>Texas State Library | 2. Federal Grant or Other Identifying Number Assigned By Federal Agency<br>System Operations-Admin. | OMB Approval No.<br>0348-0039 | Page 1 of 1 pages |

3. Recipient Organizataion (Name and complete address, including ZIP code)

Anytown Public Library
2003 Main Street
Anytown, Texas 93980

| | | | |
|---|---|---|---|
| 4. Employer Identification Number<br>14-3052970 | 5. Recipient Account Number of Identifying Number<br>Contract 410.10 | 6. Final Report<br>☐ Yes ☒ No | 7. Basis<br>☒ Cash ☐ Accural |
| 8. Funding/Grant Period (See Instructions)<br>From: (Month, Day, Year) 9/1/91 | To: (Month, Day, Year)<br>8/31/92 | 9. Period Covered by this Report<br>From: (Month, Day, Year) 12/1/91 | To: (Month, Day, Year)<br>2/29/92 |

| 10. Transactions: | I Previously Reported | II This Period | III Cumulative |
|---|---|---|---|
| a. Total outlays | 19,165 | 21,861 | 41,026 |
| b. Refunds, rebates, etc. | 0 | 0 | 0 |
| c. Program income used in accordance with the deduction alternative | 90 | 126 | 216 |
| d. Net outlays (Line a, less the sum of lines b and c) | 19,075 | 21,735 | 40,810 |
| Recipient's share of net outlays, consisting of:<br>e. Third party (in-kind) contributions | | | 0 |
| f. Other Federal awards authorized to be used to match this award | | | 0 |
| g. Program income used in accordance with the matching or cost sharing alternative | | | 0 |
| h. All other recipient outlays not shown on lines e,f, or g | | | 0 |
| i. Total recipient share of net outlays (Sum of lines e,f,g, and h) | | | 0 |
| j. Federal share of net outlays (line d less line i) | | | 40,810 |
| k. Total unliquidated obligations | | | 1,340 |
| l. Recipient's share of of unliquidated obligations | | | 0 |
| m. Federal share of unliquidated obligations | | | 1,340 |
| n. Total federal share (sum of lines j and m) | | | 42,150 |
| o. Total federal funds authorized for this funding period | | | 100,460 |
| p. Unobligated balance of federal funds (Line o minus line n) | | | 58,310 |
| Program income, consisting of:<br>q. Disbursed program income shown on lines c and/or g above | | | 216 |
| r. Disbursed program income using the addition alternative | | | 0 |
| s. Undisbursed program income | | | 0 |
| t. Total program income realized (sum of lines q, r and s) | | | 216 |

| | | | | |
|---|---|---|---|---|
| 11. Indirect Expense | a. Type of Rate (Place "X" in appropriate box)<br>☒ Provisional ☐ Predetermined ☐ Final ☐ Fixed | | | |
| | b. Rate<br>17.01% | c. Base<br>Salaries | d. Total Amount<br>$1,395 | e. Federal Share<br>$1,395 |

12. Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation.

13. Certification: I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and unliquidated obligations are for the purposes set forth in the award documents.

| | |
|---|---|
| Typed or Printed Name and Title<br>John D. Adams | Telephone (Area code, number and extension)<br>(800) 555-5565 |
| Signature of Authorized Certifying Offical | Date Report Submitted<br>3/20/90 |

Previous Editions not usable

Standard Form 269 (REV 4-88)

BEST COPY AVAILABLE

# Standard Form 269 (cont'd.)

## FINANCIAL STATUS REPORT

*(Long Form)*

Please type or print legibly. The following general instructions explain how to use the form itself. You may need additional information to complete certain items correctly, or to decide whether a specific item is applicable to this award. Usually, such information will be found in the Federal agency's grant regulations or in the terms and conditions of the award (e.g., how to calculate the Federal share, the permissible uses of program income, the value of in-kind contributions, etc.). You may also contact the Federal agency directly.

| Item | Entry |
|---|---|
| 1, 2 and 3. | Self-explanatory. |
| 4. | Enter the employer identification number assigned by the U.S. Internal Revenue Service. |
| 5. | Space reserved for an account number or other identifying number assigned by the recipient. |
| 6. | Check *yes* only if this is the last report for the period shown in item 8. |
| 7. | Self-explanatory. |
| 8. | Unless you have received other instructions from the awarding agency, enter the beginning and ending dates of the current funding period. If this is a multi-year program, the Federal agency might require cumulative reporting through consecutive funding periods. In that case, enter the beginning and ending dates of the grant period, and in the rest of these instructions, substitute the term "grant period" for "funding period." |
| 9. | Self-explanatory. |
| 10. | The purpose of columns, I, II and III is to show the effect of this reporting period's transactions on cumulative financial status. The amounts entered in column I will normally be the same as those in column III of the previous report *in the same funding period*. If this is the first or only report of the funding period, leave columns I and II blank. If you need to adjust amounts entered on previous reports, footnote the column I entry on this report and attach an explanation. |
| 10a. | Enter total gross program outlays. Include disbursements of cash realized as program income if that income will also be shown on lines 10c or 10g. Do not include program income that will be shown on lines 10r or 10s.<br>For reports prepared on a cash basis, outlays are the sum of actual cash disbursements for direct costs for goods and services, the amount of indirect expense charged, the value of in-kind contributions applied, and the amount of cash advances payments made to subrecipients. For reports prepared on an accrual basis, outlays are the sum of actual cash disbursements for direct charges for goods and services, the amount of indirect expense incurred, the value of in-kind contributions applied, and the net increase or decrease in the amounts owed by the recipient for goods and other property received, for services performed by employees, contractors, subgrantees and other payees, and other amounts becoming owed under programs for which no current services or performances are required, such as annuities, insurance claims, and other benefit payments. |
| 10b. | Enter any receipts related to outlays reported on the form that are being treated as a reduction of expenditure rather than income, and were not already netted out of the amount shown as outlays on line 10a. |
| 10c. | Enter the amount of program income that was used in accordance with the deduction alternative. |
| Note: | Program income used in accordance with other alternatives is entered on lines q, r, and s. Recipients reporting on a cash basis should enter the amount of cash income received; on an accrual basis, enter the program income earned. Program income may or may not have been included in an application budget and/or a budget on the award document. If actual income is from a different source or is significantly different in amount, attach an explanation or use the remarks section. |
| 10d, e, f, g, h, i and j. | Self-explanatory. |
| 10k. | Enter the total amount of unliquidated obligations, including unliquidated obligations to subgrantees and contractors.<br>Unliquidated obligations on a cash basis are obligations incurred, but not yet paid. On an accrual basis, they are obligations incurred, but for which an outlay has not yet been recorded.<br>Do not include any amounts on line 10k that have been included on lines 10a and 10j.<br>On the final report, line 10k must be zero. |
| 10l. | Self-explanatory. |
| 10m. | On the final report, line 10m must also be zero. |
| 10n, | o, p, q, r, s and t. Self-explanatory. |
| 11a. | Self-explanatory. |
| 11b. | Enter the indirect cost rate in effect during the reporting period. |
| 11c. | Enter the amount of the base against which the rate was applied. |
| 11d. | Enter the total amount of indirect costs charged during the report period. |
| 11e. | Enter the Federal share of the amount in 11d. |
| Note: | If more than one rate was in effect during the period shown in item 8, attach a schedule showing the bases against which the different rates were applied, the respective rates, the calendar periods they were in effect, amounts of indirect expense charged to the project, and the Federal share of indirect expense charged to the project to date. |

SF 269 (Rev 4-88) Back

## XIV. RECORD RETENTION

**Introduction**

The retention and custodial requirements for records are contained in Section 42. Retention and Access Requirements for Records, of the *Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.

**Definition**

Records include financial records, supporting documents, statistical data and any other information pertinent to the grant program.

**Retention Period**

In general, all records must be retained for a period of five (5) years, except when there is pending litigation, claims, appeals, or unresolved audit exceptions. While the *Common Rule* stipulates a retention period of three years, records for library grants must be retained for a longer period. This requirement is mandated by the program legislation (Library Services and Construction Act) which governs library grants. Therefore, the longer period of five years prevails.

**When Retention Begins**

The starting date of the retention period depends on the type of record involved.

| IF THE RECORD IS... | RETENTION BEGINS WHEN... |
|---|---|
| general (one-time grant) | final expenditure report is submitted |
| general (annual grants) | annual expenditure report is submitted |
| property and equipment | disposition of the property or equipment occurs |
| indirect cost plans and cost allocation plans submitted for negotiation | submitted to the cognizant agency |
| indirect cost plans and cost allocation plans **not** submitted for negotiation | the fiscal year covered by the plan ends |

**Access**

The grantor agency, The State Library, The U.S. Comptroller General or his duly authorized representatives have access to all grantee records. In order to make audits, examinations, excerpts, and transcripts, access shall be available to all books, documents, papers and records of the subgrantee. The grant agreement cannot restrict access to records, unless required by law. If the records would have been excepted from disclosure pursuant to the Freedom of Information Act and confidentiality must be maintained, then access can be restricted.

Access to records shall not be limited to the retention period but as long as the records are retained. Therefore, if a grantee keeps records longer than the five year period, the grantor agency, the U.S. Comptroller General or his duly authorized representatives shall continue to have access.

**Format**

Grantees are not required to retain original documents. If a subgrantee chooses, records may be retained on microfilm or microform in lieu of the original documents.

**Disposition**

It is advisable to contact the Library Development Division of the State Library before discarding any records pertaining to library grants. This is particularly important if the grant accounts have not been closed. To ascertain if this is applicable to any of your grants call or write:

Grants Administrator
Library Development Division
Texas State Library
Box 12927/Capitol Station
Austin, Texas 78711
512/463-6626

## XV. ENFORCEMENT

### Introduction

Sections 43 and 44 of the *Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* incorporates the guidelines for enforcement remedies related to grants and cooperative agreements.

### Remedies for Non-Compliance

When a subgrantee materially fails to comply with the terms and conditions of a grant award, the awarding agency upon reasonable notice may suspend the grant. Suspension may be imposed by 1) temporarily withholding cash payments pending correction of the deficiency by the subgrantee, 2) disallowing all or part of the cost of the activity not in compliance, 3) suspending or terminating, wholly or partly, the subgrantee's program, and 4) withholding further awards for the program.

### Termination

A grant can be suspended when a sub-grantee fails to submit required financial and/or performance reports. Suspension cannot be effective until the sub-grantee has received sufficient notice. Library grant agreements stipulate that the subgrantee must receive fifteen (15) days written notification from the State Library, prior to grant suspension. The written notification must include the reason why the grant is being suspended and what corrective action is required.

During the period of suspension, the subgrantee shall not incur any additional obligations. However, the sub-grantee shall be reimbursed for those expenses which cannot be reasonably avoided, provided they are allowable under OMB Circular A-87. Suspension is a temporary action; consequently, it cannot be appealed. If the subgrantee fails to take the corrective action required, then termination for cause may be necessary.

Current grants are suspended if a subgrantee fails to submit the required financial or performance reports for a prior year grant. For example, if an audit report for the SFY 1991 grant is not submitted in a timely manner, the Texas State Library will suspend payment of SFY 1992 grant funds until the audit has been received.

### Termination for Cause

An agreement may be terminated for cause. This means that the subgrantee has failed to comply with the conditions of the grant. When the agreement is terminated for cause, the subgrantee must be notified in writing of the determination and reason for termination, including the effective date. Termination is a final action, therefore it can be appealed. Subgrantees wishing to appeal a grant termination may follow the agency's appeals procedure. A copy of the procedure appears in this manual as Appendix C.

**Termination for Convenience**

The grant agreement may be terminated for convenience. In this instance, both parties to the agreement mutually agree to cancel the grant. Termination for convenience procedures require that both parties to the agreement shall decide the termination conditions and the effective date. The subgrantee shall not incur any new obligations after the effective date, and shall cancel as many outstanding obligations as possible. The subgrantee shall be reimbursed fully for those obligations properly incurred prior to termination.

# XVI. GRANT CLOSE-OUT

**Introduction**

Section 50 of the *Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* sets forth the guidelines for close-out of grant awards.

**Close-Out Procedure**

Close-out means all administrative action and all work on the grant have been completed by the grantee. In order to close-out a grant several requirements must be met:

- All final reports must be submitted including performance and financial;
- Any refunds or unobligated funds due to the grantor agency must be returned;
- Any additional reimbursement due the sub-grantee must be paid promptly;
- The subgrantee must account for property acquired with grant funds;
- The grantor agency has the right to recover any costs deemed inappropriate when the final audit has been completed.

There are several administrative requirements not affected by close-out of the grant account:

- retention of records;
- property management;
- program income;
- disallowed costs resulting from a final audit of the grant.

**Year-End Close-Out Timeline**

To assist our subgrantees in meeting the deadlines associated with year-end grant requirements, the following timeline has been prepared. It is important to note that the timeline does not incorporate all reporting requirements, since these are detailed in Section XII. Performance Reporting, and Section XIII. Financial Reporting.

# TEXAS STATE LIBRARY

## YEAR-END GRANT CLOSE-OUT TIMELINE

CONTRACT # ________ FY 1992

| TASK | DUE DATE | COMPLETION DATE |
|---|---|---|
| Request prior approval for automation items | June 1 | |
| Request all other prior approval | August 1 | |
| Submit budget amendments | August 15 | |
| Encumber grant funds | August 31 | |
| Complete professional services (except audit) | August 31 | |
| Submit fourth Quarter Financial Status Report | September 25 | |
| Submit Annual Evaluation Report | September 25 | |
| Submit Disadvantaged Services Report (Systems Only) | September 25 | |
| Submit Monthly Activity and TAT Reports (ILL Only) | September 25 | |
| Submit Uniform Statistical Reporting Form | September 7 | |
| Submit Workshop Reporting Form (Systems Only) | September 25 | |
| Liquidate all Encumbrances | October 31 | |
| Submit Final Financial Status Report | October 31 | |
| Property Inventory Record Due | October 31 | |
| Final Request for Reimbursement or Grant Refund Check | October 31 | |
| Submit Audit Report (cities and counties) | 12 months after local fiscal year | |
| Submit Audit Report (all other subgrantees) | February 1 | |

# QUESTIONS AND ANSWERS TO UNIFORM GRANT AND CONTRACT MANAGEMENT STANDARDS AND THE COMMON RULE FOR UNIFORM ADMINISTRATIVE REQUIREMENTS TO STATE AND LOCAL GOVERNMENTS

---

1. Is prior approval required for the leasing of films?

Answer: No, Prior approval is only required for those costs listed in OMB Circular A-87 which are also enumerated on page 7 of this manual.

---

2. Is it necessary to request prior approval for computer games, computer "courseware", or computer software?

Answer: Prior approval is required only if the cost of the item is $300 or more and has a life expectancy of more than one year.

---

3. Must library materials be inventoried?

Answer: Library materials must be inventoried if the unit acquisition cost is $300.00 or more and has a useful life of more than one year.

---

4. Is it necessary to inventory supplies?

Answer: No, supplies are considered expendable; consequently, they are not placed on inventory.

---

5. Do the guidelines stipulate that computer software must be inventoried?

Answer: Computer software must be inventoried if the unit acquisition cost is $300.00 or more and has a life expectancy of more than one year.

---

6. Is prior approval required for travel outside of the system?

Answer: Beginning with FY 1983 grants, systems are not required to request prior permission from the State Library for any travel. Travel costs may only be paid for persons on grant payroll or persons employed to carry out an LSA or LSCA funded project.

---

7. Is it permissible to use the state mileage allowance and the city per diem allowance?

Answer: A subgrantee is required to follow local travel policies when such policies exist. State travel policies may be used only in the absence of local policies.

---

8. What is the procedure for disposing of property acquired with grant funds?

Answer: It is advisable to check with the State Library prior to disposing of any property purchased with grant funds. This is particularly true for System Operations grants since there are two sets of disposition instructions (pre FY 1985 and post FY 1985). If the property costs less than $1,000 per unit, the subgrantee may sell the property and retain the proceeds from the sale. These proceeds are considered program income and may be used to further the objectives of the grant. Should the property cost $1,000 or more, the proceeds from the sale are remitted to the State Library. Proceeds from the sale of property must also be remitted to the State Library if the property: (1) was purchased with system grant funds after FY 1985 and (2) cost $300 or more per unit.

A Property Disposition Report must be filed in all instances, removing the items from inventory records. Before disposing of any property purchased prior to 1973, please check to ensure that the property was not purchased by the Texas State Library and loaned to your library.

9. If property is sold, can a subgrantee receive reimbursement for selling costs?

Answer: The Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments does not provide for reimbursement of selling costs. Consequently, subgrantees may not be reimbursed for selling costs.

10. Are subgrantees permitted to pay an honorarium to speakers?

Answer: No, the payment of an honorarium is not allowable. An opinion issued by the Attorney General of Texas stipulates that the payment of an honorarium violates the Texas Constitution, which prohibits the making of any grants, gifts, or donations of public money to individuals. As a State agency, the Texas State Library is prohibited from paying honoraria and consequently so are its subgrantees. However, a subgrantee may contract for a professional service.

11. Under what circumstances is the five year period for retaining records not applicable?

Answer: In the event there is pending litigation, if there are unresolved audit exceptions or any claims outstanding against the grant, all records must be retained until resolution has been achieved.

---

12. How is a subgrantee notified when the grant account is closed?

Answer: This information is generally conveyed following State Library staff review of the final audit. If there are audit exceptions, the grant is not closed until all exceptions are resolved. Once the exceptions are resolved, the subgrantee receives notification from the State Library that the grant account is closed.

---

13. Why would the State Library suspend a grant?

Answer: The State Library will suspend a grant only if the subgrantee fails to comply with the terms of the grant agreement. A grant cannot be suspended without providing 30 days written notification to the subgrantee. The subgrantee has 30 days to take whatever corrective action is necessary to prevent suspension from taking effect. The State Library will also suspend a grant if there is an outstanding report due from a prior year grant.

---

14. What is the role of the Texas State Library in bid protest involving a contract administered by the State Library?

Answer: The Texas State Library cannot settle contractual or administrative issues related to procurement. Bid protests are the responsibility of the subgrantee. Any violations of law are to be referred to the proper authorities.

---

15. When must the system coordinator prorate time to various projects? If the system coordinator has responsibility for Interlibrary Loan, does salary need to be prorated?

Answer: The system coordinator is considered an administrator and as such spends time supporting all system projects. The time of the coordinator is prorated when a project has no other staff member assigned to it. To illustrate, a system has an Audio-Visual Services project and a Publicity project, but no staff person is assigned to these projects. The coordinator allocates a portion of her time to both projects; consequently, the coordinator's time is distributed among three projects: "Administration," "Audio-Visual Services" and "Publicity." The coordinator's salary and fringe benefits are charged to each program based on the percentage of time spent (see Documentation of Time and Attendance in manual).

If the coordinator has responsibility for the Interlibrary Loan project, documentation of time spent in this capacity is not required.

---

---

16. How should postage be assigned for systems grants?

Answer: Routinely postage will be assigned to the "Administration" project. However, if postage is being used for a specific project such as Publicity, the cost of postage should be allocated to the project. Refer to pages 18-19 of this manual for specific information regarding the allocation of such costs.

---

17. What happens when a Financial Status Report is not filed by the due date?

Answer: The State Library will send the first overdue notice for all quarterly financial reports 20 days after the reports are to be submitted. (15 days after the reports are due for the first quarter report and the final report).

---

18. Can a subgrantee appeal a decision of the State Library staff?

Answer: Yes. As part of the recommended changes to the Systems Rules and Regulations, which were considered by the Commission at its June 1983 meeting, a procedure for appealing adverse decisions of the agency has been adopted. (See Appendix C).

---

19. How would the time of a system-paid Grants Accountant or other financial person be charged to the systems grant?

Answer: Since the time of a staff person with financial responsibility would be spent exclusively for the general administration of the grant, all staff time would be charged to the "Administration" project unless that person is the only staff person involved in a project (e.g., collection development).

---

20. Why is a program revision (contract amendment) required for costs allowable with grantor agency approval?

Answer: The budget revision (contract amendment) is necessary because all prior approval costs are listed in the grant agreement and considered a part of the agreement. Any change or alteration in the prior approval costs, which are itemized in the grant agreement, constitutes a change in scope and requires a program revision (contract amendment).

---

21. Do all contractual services require prior authorization from the State Library?

Answer: No, contractual services such as temporary contractual labor, maintenance agreements on equipment, film leasing or books-by-mail agreements *do not* require prior approval.

22. Is prior approval necessary for all professional services?

Answer: Yes. When contracting for the services of a person or firm outside of the grantee organization prior authorization of the Texas State Library must be obtained. Prior approval is required regardless of the cost for these services.

23. What constitutes a professional service agreement?

Answer: A professional service is a cost incurred to obtain the services of a person, firm, or company with a high degree of learning in a specific area or specialization. Advertising agencies, workshop speakers, accountants, and graphic artists are examples of professional services.

24. When are program revisions authorized and valid, including prior approval costs?

Answer: Program revisions and prior approval costs are authorized only when the grantee has received written approval from the Texas State Library and concurrence from the city or appropriate person with contracting authority. Authorization is obtained through a letter formally amending the respective contract.

25. What is the appropriate time to submit a grant refund?

Answer: Grant refunds should be submitted with the final Financial Status Report which is due at the Texas State Library on October 31.

Appendix B

# GUIDELINES FOR ALLOWABLE COSTS REQUIRING THE PRIOR APPROVAL OF THE TEXAS STATE LIBRARY

---

**Purpose**

The Uniform Grant and Contract Management Standards for State Agencies stipulates that sub-grantees secure prior approval from the grantor agency before expending grant funds for certain allowable costs. Prior approval is prior written permission from the State Library indicating the sub-grantee is authorized to take an action which results in obligating or expending grant funds.

These guidelines have been formulated to assist recipients of library grants in determining when and under what conditions the specific prior authorization of the Texas State Library is required. If a subgrantee is uncertain whether a particular cost requires prior approval, clarification should be obtained from the Texas State Library staff.

---

**Costs Which Require Prior Approval**

- Automatic Data Processing Costs
- Building Space and Related Costs
- Capital Expenditures
- Insurance and Indemnification
- Management Studies
- Pre-Agreement Costs
- Professional Services
- Proposal Costs

---

**Prior Approval Checkpoints**

- All prior approval requests must be received and processed by the Texas State Library before purchasing equipment or services.
- The sub-grantee is not authorized to proceed until a response has been received from the State Library granting approval.
- If approval is denied, the sub-grantee will be notified of this action.
- If a prior approval cost is not in the System Plan of Service, System Advisory Council concurrence must be obtained.
- Failure to obtain the requisite approval can result in such costs being disallowed and cited as an audit exception.

---

# PROGRAM REVISION FORM

SYSTEM OR LIBRARY NAME: ____________________

CONTRACT #: __________ Date: ______________

Person requesting change: ____________________

Please check purpose of request and complete form accordingly:

_____ SCOPE CHANGE _____ BUDGET AMENDMENT _____ PRIOR APPROVAL

Systems must attach Certificate of Review for scope changes.

SCOPE CHANGE REQUESTED:

SCOPE CHANGE JUSTIFICATION:

HOW DOES THIS AFFECT PERFORMANCE MEASURES?

BUDGET AMENDMENT :

Please attach the Bases for Calculating Reimbursable Costs spreadsheet for Budget Amendment requests

Decrease following:

| Project | Expense Category | Amount |
|---|---|---|

Increase following:

| Project | Expense Category | Amount |
|---|---|---|

PRIOR APPROVALS:

1. List prior approvals for items whose unit cost is over $300.00.
2. Attach bid specifications if required.
3. Attach RFP if required.
4. Prior Approval Classifications are a) Automatic Data Processing, b) Building Space and Related Costs, c) Capital Expenditures, d) Insurance and Indemnification, e) Management Studies, f) Pre-Agreement Costs, g) Professional Services, and h) Proposal Costs
5. Budget Classifications are a) Personnel, b) Fringe Benefits, c) Travel, d) Equipment, e) Supplies, f) Contractual, and g) Other

| Project | Prior Approval Classification | Item Description | Units | Unit Cost | Total Cost | Budget Classification |
|---|---|---|---|---|---|---|

| IF YOU NEED TO DETERMINE..... | THEN GO TO PAGE ... |
|---|---|
| what costs need prior approval | B-1 |
| what is an automatic data processing cost | B-5 |
| how to request approval for data processing costs | B-6 |
| when to submit bid specifications | B-7 |
| what constitutes a capital expenditures | B-9 |
| how to request prior approval for a capital expenditure | B-9 |
| what is a professional service | B-10 |
| how to request prior approval for a professional service | B-10 |
| State Library response time to prior approval requests | B-5 |
| deadline for submitting prior approval requests | B-5 |
| how to request prior approval in the grant application | B-5 |

## Guidelines for Allowable Costs Requiring the Prior Approval of the Texas State Library, Continued

**Turnaround Time Schedule**

The Texas State Library will respond to all requests for prior approval in a timely manner. The anticipated turnaround time for specific costs is listed below. All turnaround times are from the date the State Library receives a sub-grantee's prior approval request. If staff seeks Commission review of a request, the stated turnaround time will be extended until Commission review can be obtained. The sub-grantee will be informed that the request has been submitted to the Commission for review.

| Cost | Turnaround Time |
|---|---|
| Equipment (except data processing) | 2 weeks |
| Data processing equipment, data processing) services and automation consultant studies | 6 weeks |
| Management studies | 4 weeks |
| All other costs requiring prior approval | 2 weeks |

The above schedule represents the maximum time required to process a request for prior approval. In some instances prior approval may be forthcoming before the stipulated turnaround time. In the event the State Library cannot meet the deadline, a letter will be forwarded to the sub-grantee indicating when a response can be expected. Such a letter would not constitute prior approval.

**Deadline for Submission for Requests**

All requests for prior approval of automatic data processing costs, including equipment, which would result in the expenditure of $10,000 or more must be submitted to the Texas State Library by June 1 of the grant year. Requests for all other prior approval costs may be submitted until August 1 of the grant year.

**Requesting Prior Approval in the Grant Application**

All prior approval costs must be included in the initial grant application; they will be incorporated in the grant agreement at the time it is issued. If a sub-grantee needs to amend the grant application or grant agreement, during the contract period, a letter must be submitted which includes all pertinent information for the cost involved. The letter will serve as a request to formally amend the prior approval section of the contract. It is advisable to also request an amendment for the contract budget, "Bases for Calculating Reimbursable Costs" so that the budget conforms to the prior approval section of the contract.

**What are Automatic Data Processing Costs**

All automatic data processing costs are allowable if they assist in achieving grant project objectives. However, all such costs must have specific, prior, written approval of the Texas State Library before costs are incurred. Data processing costs include automatic data processing services to the grant program, rental of

## Guidelines for Allowable Costs Requiring the Prior Approval of the Texas State Library, Continued

**What are Automatic Data Processing Costs (continued)**

data processing equipment, acquisition of data processing equipment and computer software. Prior approval is not required for automation project personnel, training costs, supplies, utilities, travel, and other related operating expenses.

- Data processing services are any type of computer related services provided to the grant program. Examples of such services are contracts with AMIGOS Bibliographic Council for cataloging services, contracts for retrospective conversion and contracts for data base searches, or other computer based services.
- Rental of data processing equipment. These costs are limited to the use of equipment on a rental or lease basis only. The rental agreement would merely transfer to the sub-grantee the right to use the equipment for a specified period of time. It would also allow the sub-grantee to terminate the rental agreement and return the equipment at any time.
- Data processing equipment purchases. Purchases of data processing equipment includes outright purchases, leases with the option to purchase, installment purchases or any other method of acquisition. Data processing equipment includes all word processing equipment, telecommunications equipment, computer software and computer "courseware". When purchasing any of these items, with a unit acquisition cost of $300 or more and a life expectancy of more than one year, the subgrantee must obtain prior approval from the State Library.
- Consultant Studies. These costs would include retaining the professional services of a consultant for the purpose of grading bids, negotiating contracts, or assessing automation needs.

---

**How To Obtain Approval: ADP Costs**

When initiating a request for prior approval of a data processing cost, the grantee must submit a detailed project narrative (Part IV of the grant application). If prior approval is requested subsequent to the submission of the grant application, a revised project narrative must be received with the request.

The project narrative must include the following information:

- A demonstration of the need for the project.
- A detailed description of the approach to be used to meet the need, including a detailed plan of action, project timetable, staffing requirements, and participant list.
- A detailed project budget, including funding from TSL grant, from member library participants, and other sources.
- Detailed and comprehensive performance measures for the project (systems must include standardized and local objectives).

---

**How To Obtain Approval: ADP Costs (continued)**

If prior approval is being requested for a shared automation library system, the following supplemental information must be included in the project narrative:

- Which system member libraries will have or be receiving terminals in connection with the project. How many terminals will be at each location and what will their primary function be (e.g., circulation, online catalog, acquisitions, etc.)?
- What will the staffing requirements of the project be, including system-funded staff positions, and staff positions funded by participating libraries or otherwise?
- How will the project costs be allocated between system funds and local funds for participating system libraries?
- How do the performance objectives provided on the Uniform Statistical Reporting form break down by participating system library?
- What contractual and other agreements will govern the system libraries' participation in the project (e.g., Memorandum of Understanding)?

Bid specifications must also be submitted if the data processing cost will result in an expenditure of $10,000 or more ($5,000 or more if the grantee is a city or county with a population of less than 50,000).

---

**Note on Competitive Bids**

If the total anticipated expenditure for an item(s) being purchased at a given time equals $10,000 or more, the item(s) must be competitively bid. For example, assume a grantee purchases two (2) microcomputer systems (including peripherals) with a unit cost of $5,000. Since the total anticipated expenditure is $10,000, the microcomputers must be competitively bid.

Conversely, assume a grantee purchases a microcomputer system with a unit cost of $5,000 in October of the fiscal year and another $5,000 micro in August because of unanticipated ending balances. Since the total anticipated expenditure in each instance is less than $10,000, both purchases are exempted from competitive bidding.

Grantees must ensure that they are not intentionally avoiding the competitive bid requirements. The legislation which mandates competitive bids for expenditures of $10,000 or more includes a criminal penalty. Any city or county employee who knowingly or intentionally makes or authorizes purchases in order to avoid competitive bidding requirements commits an offense. The offense is a Class C misdemeanor.

### Note on Competitive Bids (continued)

While non-data processing equipment expenditures, e.g., video recorders, projectors, typewriters, may meet the competitive bid requirements, grantees do not submit the bid specifications for these items to the State Library. However, prior approval must be requested for all equipment purchases with a unit cost of $300 or more.

For example, assuming System X purchases five (5) projectors with a unit cost of $900 and five (5) video recorders with a unit cost of $1,500. Since the total anticipated expenditure is $11,000, the items should be competitively bid. However, the bid specifications are not submitted to the State Library. State Library only requires bid specifications for data processing expenses.

### What are Building Space and Related Costs

These are costs incurred for space used for the benefit of the grant program. Generally, such costs are a component of the indirect cost plan or the central service allocation plan. With the exception of an MRC which rents space to conduct the grant program, other library grant recipients are reimbursed for space through their indirect cost charges to the grant account. If operational costs, such as maintenance and utilities are not a part of the lease agreement, such costs may be charged to the grant, after securing prior approval.

A usage allowance is a charge to the grant for space used by the grant program. Normally, sub-grantees are compensated for the use of space through depreciation which is a component of the indirect cost plan or central service allocation plan. A sub-grantee may not duplicate this charge according to the Federal regulation cited in OMB Circular A-87.

If the sub-grantee can adequately document that they are not being compensated for the use of space through indirect cost charges, a usage allowance may be charged to the library grant after obtaining prior approval.

### How to Obtain Approval: Building Space and Related Costs

When sub-grantees rent or lease space for the purpose of conducting grant activities, a copy of the lease agreement must be submitted to secure prior approval from the State Library. System grant recipients are required to submit a copy of the lease agreement only when it is initially negotiated. Once TSL has approved the lease, it is not necessary to submit a copy each year with the Plan of Service. If claiming the space usage allowance, the sub-grantee must establish that such costs are not a part of the indirect cost plan or the cost allocation plan. This documentation must be included in the grant application.

### What Are Capital Expenditures

A capital expenditure is an outlay of grant funds for equipment, furnishings or other capital assets. Grantees may use their accounting system's definition of a capital expenditure provided such definition includes all personal property having a useful life of more than one year and an acquisition cost of $300 or more per unit. For example, assume a grantee's accounting system classifies all equipment costing $100 or more as a capital expenditure. Consequently, the grantee would need to secure prior approval for those purchases costing $100 or more.

Under no circumstances is prior approval required for the acquisition of library materials. Even if a grantee's accounting system classifies a book as a capital expenditure, the State Library does not need to be informed in advance of such purchases. Grantees are required to obtain prior approval for computer software and "courseware" costing more than $300 per unit and having a useful life of more than one year. These requirements are discussed in the section on automatic data processing costs. While library materials do not require prior approval, all items costing more than $300 per unit and having a useful life of more than one year must be inventoried.

### How to Request Approval: Capital Expenditures

The grantee must itemize all anticipated capital purchases in the grant application. The itemized list must include the unit acquisition cost and the number of units to be purchased. Information pertaining to how the capital item will be used and how it will assist in achieving overall project objectives must be provided in the project narrative which is part of the grant application.

The State Library will approve these anticipated purchases as a part of the overall application approval process. Equipment items budgeted in the Plan of Service or grant application which have a unit cost of less than $300 do not require prior approval and will not be listed in contract. If a grantee revises its program during the year to include new purchases (e.g., system members having an option to purchase equipment with collection development funds), prior approval will be required. Once it has been determined which items will be purchased, the system should submit an itemized list of the equipment and their respective unit costs.

### Insurance and Indemnification

A-87 stipulates that the cost of insurance required or approved in accordance with the grant agreement is allowable. Indemnification which includes insuring the sub-grantee against liabilities to third parties or other losses which are not compensated by insurance are allowable if provided for in the grant agreement. Prior approval must be requested by the sub-grantee before incurring such costs. The State Library will only approve the use of grant funds for coverage which is directly related to the activities of the grant.

Grantees are required to list the cost of any insurance and indemnification in the grant application. It is not necessary to submit a copy of the bid specifications for the insurance coverage.

### Management Studies and Pre-Agreement Costs

Management studies costs are costs for studies conducted with the purpose of the effectiveness and efficiency of grant management for continuing grant programs. Should a sub-grantee wish to contract with a consultant or firm to perform such a study, the specific prior approval of the Texas State Library must be obtained.

Pre-agreement costs are costs which the sub-grantee may incur prior to the effective date of the grant agreement. Pre-agreement costs are authorized only on an individual basis.

### What Are Professional Services

These are costs incurred to obtain the services of a person, firm or company with a high degree of learning in a specific area or specialization. For example, advertising agencies, workshop speakers, accountants, graphic artists, legal advisors, collection development consultants, and building consultants. When contracting for these type of services, prior approval must be obtained.

Prior approval is not required on contractual agreements with book vendors or for equipment maintenance contracts. It is not required for film leasing, books-by-mail agreements and printing services.

Sub-grantees are required to identify all prospective professional services in the grant application. Workshop speakers for system programs and auditors may be identified generically. Systems must provide workshop topics and the number of workshops to be held. Other subgrantees are required to furnish workshop topics, date workshop to be held, and location. If audit costs are included as a direct expense, sub-grantees may stipulate the generic term "auditor" and list the amount budgeted for the services.

### How to Request Approval for Professional Services

To secure prior approval for professional services, the subgrantee must submit the name of the individual or firm providing the services, if known. In addition, an estimation of the cost of the services and how the acquisition of these services will assist in achieving project objectives must be provided. It is acceptable to submit only a copy of the proposed contractual agreement, with the individual or firm performing the services, if it contains the information requested. When professional services involve workshop speakers or auditors, it is not necessary to provide the name of the firm or individual with whom the subgrantee is contracting. For workshops, system grant recipients must identify the number of workshops which will be held during the grant year and the workshop topics. Other grant recipients must furnish additional specifics such as topic, tentative date, and location. When providing information regarding the services of auditors, list the generic term "auditor" and the amount budgeted for the audit.

**Professional Services Cont'd**

When contracting for the services of a person or firm external to the grantee's organization, prior authorization of the Texas State Library must be obtained regardless of the cost for these services. For example, if the City of Frames wanted to contract with a collection development consultant to evaluate the collection of a member library for a cost of $150. Prior approval must be secured by the city before contracting with the consultant.

**All professional services, with the exception of the audit, must be completed by the end of the grant period, August 31. Payment for these services must be made prior to October 31, the date the final Financial Status Report is due at the State Library.**

**Proposal Costs**

The cost of preparing proposals on potential grant agreements is allowable if stipulated in the existing grant agreement. It is not anticipated that a sub-grantee receiving library grants will expend funds for costs of this nature. If personnel paid from grant funds expend their time to develop proposals for potential state or federal agreements, prior approval must be obtained. for example, if the systems coordinator was spending time preparing a proposal for the Texas Department of Community Affairs, the specific prior approval of the State Library must be secured. It is also conceivable that the services of an individual may be retained by a sub-grantee to prepare a proposal. In such an instance, prior approval must also be obtained.

**How to Request Approval**

Should a sub-grantee use staff paid from grant funds to develop proposals or retain the services of an individual to prepare a proposal to obtain other federal or state grants, prior for permission must be obtained from the State Library. Should an Proposal individual external to the organization prepare the proposal, the Costs process for obtaining prior approval would follow the guidelines outlined for professional services on the proceeding page. If staff time will be used, the amount of time anticipated to prepare the proposal, the purpose of the proposal and the relationship of the proposed grant to the library grant must be established by the sub-grantee in the request for prior approval.

## APPEALS PROCEDURE

Subgrantees may appeal Texas State Library staff decisions in the following areas:

(1) denial of grant award;
(2) termination or suspension of grant for failure to comply with grant terms;
(3) audit exceptions;
(4) disallowance of grant expenditures;
(5) failure to give prior approval to a grant cost;
(6) procurement dispute; or
(7) any other relevant issue arising in the administration of the grant.

Steps to be followed in appeals are:

| STEP | PROCEDURE |
|---|---|
| 1. | A subgrantee that wishes to appeal an adverse determination must, within 30 days after receiving such determination, submit a brief, written notice of appeal. The notice of appeal must include a copy of the agency's adverse decision, the amount in dispute, if appropriate, and a brief statement contesting the agency's decision. This information must be submitted to the Assistant State Librarian. |
| 2. | The Texas State Library Appeals Board must within seven (7) days acknowledge receipt of the appeal notice. The Board shall be comprised of the Assistant State Librarian, the Fiscal Officer of the Texas State Library, and a member of the Texas State Library and Archives Commission. Such member is to be appointed by the Chairman of the Commission. |
| 3. | Within 30 days of receiving an acknowledgment of the Board's receipt of its appeal, the subgrantee will provide the Board with all materials and documents which may be relevant to the dispute, including a written statement describing errors in the agency's final decision. |

Steps to be followed in appeals are: (Continued)

| STEP | PROCEDURE |
|---|---|
| 4. | After receiving the required documentation, the Board will conduct its review and send a written decision to the subgrantee within 30 days. If the decision of the Board is adverse to the position of the subgrantee, the Board will state the basis for its decision and inform the subgrantee of its right to appeal to the Texas State Library and Archives Commission. |
| 5. | The subgrantee may appeal in writing to the Texas State Library and Archives Commission within 15 days following the decision of the Texas State Library Appeals Board. The Commission Chairman (or the designated appeals officer) will provide the subgrantee written notice of receipt and of the Commission's intent to act upon the appeal. |
| 6. | Within 45 days following receipt of notification of appeal, the Commission will review the appeals documents and schedule an open hearing. Written notification shall be provided to the subgrantee 15 days prior to the scheduled hearing. Parties to the dispute shall be allowed to give testimony at the open hearing. Following the hearing, the subgrantee will be informed of the Commission's decision within 15 days. If the decision is adverse, the Commission will state the basis for its decision. |

# APPENDIX D

## TEXAS STATE LIBRARY PROPERTY
## INVENTORY GUIDELINES
## EQUIPMENT
## (System Operations Grants)

### Introduction

Since September 1973, the Texas State Library has made cash grants to local agencies of government with funds appropriated through the State Library Systems Act and Titles I and III of the federal Library Services and Construction Act. These cash grants have frequently included budgetary authorization for the purchase of tangible personal property considered necessary to carry out successfully the purposes of the grant program. Under terms of the grant agreement, local agencies agreed to:

- submit an inventory to the Texas State Library of the tangible personal property purchased in whole or part with state and federal grant funds, or program income derived from the use of grant funds;
- conduct a physical inventory for the property at the request of the State Library to determine the condition and location of the property;
- dispose of the property in accordance with instructions from the State Library;
- maintain inventory records which list and describe the property;
- ensure that a control system is in effect to guarantee adequate safeguards to prevent loss, damage, or theft of the personal property; and
- ensure that the property is kept in good condition and that the property is used for the purposes of the grant program.

### Inventory Objectives

This inventory is being conducted by the Texas State Library and the local agencies which purchased grant-funded property. Specific objectives for this physical inventory of property are:

- to verify the accuracy and completeness of the descriptive record for each property item;
- to verify the existence, current utilization, and continued need for grant-funded property; and
- to reconcile the property records against the audited expenditures for property.

## Definitions

The Texas State Library requires that local agencies provide inventory records for non-expendable personal property purchased with grant funds. Local agencies must also provide inventory records for property acquired with program income generated as a result of the grant. Non-expendable personal property is defined as property having a unit acquisition cost of $300.00 or more and a life expectancy of more than one year. This definition includes equipment, furnishings, computer software, books, video-cassettes, films, and other library materials.

Prior to September 1, 1982, subgrantees were required to file inventory records for all equipment and furnishings with a unit acquisitions cost of $50.00 or more and all videocassettes and films, including bonus films. While local agencies no longer need to file inventory records for new purchases under $300.00, they must continue maintaining and updating the inventory records for the earlier purchases. Provisions for State Library contracts #6 - #177 stipulated the former inventory and disposition practices which are still binding on local agencies.

## Scope of Inventory Project

The Texas State Library is limiting this phase of the inventory project to equipment and furnishings. Instructions for conducting inventories of library materials are available from the State Library in separate guidelines.

The property phase of the inventory project will be due to the State Library nine months from the receipt of these guidelines. Local agencies are to contact the Library Development Division staff if any problems arise.

To verify the condition and location of the property assigned by local agencies to other libraries in the state, the Texas State Library staff suggests that you survey the depository libraries. It is not required that you physically verify the condition of the property; rather, you can rely upon the written response of other library directors entrusted with the safekeeping of your equipment.

Within the nine month period, after you complete your inventory, you should return to the State Library the print-out or diskette with the status and condition for each item indicated.

## Specific Instructions

With these instructions, the Texas State Library is sending a print-out by contract number which lists the inventory records you have filed with the state. For some systems, this information will be provided on a diskette. Corresponding contracts from two sources of funds (e.g., Contract 124a with state funds and Contract 124c with federal funds for library system services) are treated as separate grants. This print-out will facilitate reconciliation of the amount of property listed on the inventory records with the amount of grant funds expended for tangible personal property as reported in the final Financial Status Report and/or the audit report for each grant.

By nine months from the date the guidelines are received, you should return to the State Library the print-out or diskette. On this print-out or diskette you should:

- correct any erroneous information;
- furnish information pertaining to the condition or status of the property and/or to the disposition of the property;

On the enclosed property inventory forms, you should:

- add new property inventory listings which might have been omitted from the inventory records on file at the State Library.

Follow character limitations mentioned elsewhere in these guidelines whenever possible.

Use the terms given in the attached Glossary whenever possible. If no appropriate term is given for the item, furnish an appropriate term, but avoid using brand names.

The specific headings on the property inventory print-outs correspond to the information requested on the Property Inventory Forms mailed in each grant agreement packet. Specific definitions for each data element follow:

Description of Property. The Texas State Library identified for each item of property a glossary term. Following this glossary term are the terms used by the local agency to describe the property. When available, the model number is used to further describe the property. If you are adding new property, please try to limit your description to 136 characters.

Identification Number. This number must ensure that the property can be uniquely identified from other similar property. Either a manufacturer's serial number or a unique inventory control number assigned locally will be sufficient. This field can satisfactorily handle a number of 13 characters. If you have two numbers, separate them by means of a slash (/). Where more than 13 numbers were provided for an item, the characters after 13 were dropped. If more than 13 characters are critical for local control functions, we suggest that one set of characters be added to the Property Description field.

Contract Number. This is the number assigned by the Texas State Library. The alpha designation is essential to identifying the source of funds, so be sure to differentiate between corresponding contracts, e.g., Contract 124a and 124c.

Vendor. The vendor designation on the property inventory print-out corresponds to the category "Source of Property" on the Property Inventory Form. In this column identify the vendor, supplier or agent directly reimbursed for delivery of the property. Since this information was not requested prior to Contract 76, you are not required to report it for Contracts 6 through 52.

Purchase Price. The purchase or acquisition cost, according to federal regulations, means "the net invoice price of the equipment, including the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the equipment usable for the purpose for which it was acquired. Other charges such as the cost of installation, transportation, taxes, duty or protective in transit insurance shall be included in or excluded from the unit acquisition cost in accordance with the regular accounting practices of the organization purchasing the equipment. If the item is acquired by trading in another item and paying an additional amount, 'acquisition' cost means the amount received for trade-in plus the additional outlay."

Date of Purchase. This date pertains to the date the property was purchased or acquired. This date may vary according to local accounting and property management systems, but usually it is the date the merchandise was received. However, alternative dates, such as the invoice date, are acceptable.

Local Funds. This column corresponds to the two columns on the Property Inventory Form which are labeled "% Federal" and "% State". Since most property was purchased with funds from a single contract, the State Library only listed on the print-out a percentage if the property item was not exclusively state or federally funded. Therefore, you do not need to add any information to this column unless:

- local funds were used to pay a portion of the property item's cost. In this case the subgrantee would add the percent of local funds used (e.g., "10% local").
- the property item was purchased with funds from two different contracts. For example, if a projector was charged to both Contract 124a and 124c, then the subgrantee should designate in this column of the alphabetically arranged print-out that "45% state, 55% federal" funds were used.

In cases where grant property was traded-in for new property, see Trade-In instructions elsewhere in these guidelines.

Condition/Status. You must designate one of the following codes for Condition (1-5) and Status (6-8) for each item of property listed on the inventory. The eight codes are the following:

Condition (list one for each item)

1. Number 1 means that the property item is new and therefore in excellent condition.
2. Number 2 means that the property is in good condition. It is in working condition and is currently in use exclusively for grant-related purposes.
3. Number 3 means that the property is in good condition. It is in working condition and is currently being shared between the grant program and other local library services.

4. Number 4 means that the property is in good condition. It is in working condition and is currently not being used for any grant-related purposes. However, it is being used for local library services.

5. Number 5 means that the property is damaged. It is broken or in disrepair. Subgrantees should indicate on the biennial inventory form whether an effort will be made to repair the item or whether the item will be sold or disposed of in accordance with guidelines.

Status (list one for each item)

6. Number 6 means the property item is missing (e.g., stolen or lost). Stolen items should be reported to the local police and a copy of the police report submitted to the State Library.

7. Number 7 means the property item is stored (e.g., not in use). Subgrantees should indicate whether the property will be used in the immediate future (e.g., film projector which is used as a substitute) or whether the property is no longer serving a useful or necessary purpose. In the latter case, subgrantees should indicate whether the item will be sold or disposed of in accordance with the guidelines.

8. Number 8 means the property item has been disposed of (e.g., sold or traded-in) according to the guidelines. Documentation regarding disposition should be submitted to the State Library immediately after the transaction.

When you return the completed print-out to the State Library, you must include a code from each of the two groups for each piece of property. If a designation from either condition or status grouping is not appropriate, then insert "0." For example, a missing typewriter would be "0/6" since its condition is unknown. A new typewriter would be "1/0" since its condition is new and its status does not fall into missing, stored, or disposed.

Physical Location. This column must be completed for each property item. If the property is located at the Major Resource Center library, you should note it as the major resource center city (e.g., Abilene, Amarillo). It has also has been determined to helpful when conducting future inventories to indicate where in the MRC library the property is located (e.g., ILL Office). In the event property is located in an office or unit not under the direct governance of the MRC (e.g., school library), then the location should be more specifically cited.

Date of Sale. If the property was sold, then the date on which the property was transferred to the new owner should be noted on the inventory records. See Disposition Instructions for more information regarding the sale of property.

Sale Price. Identify in this column the price for which the property was sold. Do not include selling costs, such as advertising costs in this column. See Disposition Instructions for more information regarding the sale of property.

Refund Paid TSL. Identify in this column the amount of the refund due the Texas State Library from the sale of property. See Disposition Instructions for more information regarding how to determine the amount of refund.

Other Disposition - Briefly Describe. If the property has been stolen, lost, or destroyed for whatever reason, indicate in this column a description of the problem. If the property was stolen, a copy of the police report must be on file with the Texas State Library. If the State Library's print-out already indicates a number 6 under the Condition/Status column, then a police report is already on file with the State Library.

## Policy on Trade-Ins

Property may be exchanged for replacement property if needed. The replacement may take place either through trade-in or through sale and application of the proceeds to the acquisition cost of the replacement items. If the original property item is traded in, the subgrantee should file with the State Library a Property Disposition Form and should note that the property is being replaced. The "Sale Price" will be the "amount received for trade-in" which according to Education Division General Administrative Regulations (EDGAR) means the "amount that would have been paid for the replacement equipment without a trade-in minus the amount paid with the trade-in. The term refers to the actual difference not necessarily the trade-in value shown on an invoice.

Assume, for example, a subgrantee wishes to purchase a new typewriter to replace an existing typewriter. If the cost of the new typewriter is $800 without trade-in and the cost of the new typewriter with trade-in is $600, then the sale price or the "amount received for trade-in is $200 ($800 minus $600 equals $200).

## Policy on Disposition of Property Acquired Through FY 1985

When non-expendable personal property is acquired by a grant recipient wholly or in part with federal or state funds or with program income derived from the use of federal or state funds, title shall be vested in the grant recipient.

The recipient shall retain the property in the project as long as there is need for the property to accomplish the purpose of the project, whether or not the project continues to be supported by grant funds. When there is no longer a need for the property to accomplish the purposes of the project, the recipient may use the property in connection with other library services, with priority being given to other federal or state supported library activities. When the property no longer is needed, the grant recipient may request disposition instructions from the State Library. The State Library will authorize one of the following alternatives:

(1) The subgrantee may be permitted to retain title. If the property had an acquisition cost of more than $1,000, then title may be locally retained after compensating the state or federal government an amount computed by applying the federal or state percentage of participation in the cost of the project to the fair market value of the property.

(2) The subgrantee may be directed to sell the property. If the property had a unit acquisition cost of less than $1,000 and is of no further use value, the subgrantee may be authorized to sell the property in a manner which provides for fair competition to the extent practicable and results in the highest possible returns. Proceeds from the sale of interlibrary loan property held by a Major Resource Center shall be deposited as program income for the current interlibrary loan contract. Proceeds from the sale of all other property entrusted to a Major Resource Center from system, Title III, disadvantaged, or other grants should be deposited into the program income account for the current systems grant. If state funds were originally used to purchase the property, then the sale proceeds would be deposited into the program income account for the state systems grant. Similarly proceeds from the sale of the federally purchased property would be deposited into the federal account.

If the property had a unit acquisition cost of $1,000 or more, the recipient may sell the property and reimburse the federal or state government an amount which is computed by applying the percentage of the federal or state share in the property to the sales proceeds. The recipient may, however, deduct and retain from that amount $100, or 10 percent of the proceeds, whichever is greater, to cover selling and handling expenses.

(3) The subgrantee may be directed to transfer the property title to another subgrantee. In this case, the subgrantee shall be entitled to compensation computed by applying the subgrantee's percentage of participation in the cost of the program or project to the current fair market value of the property, plus any reasonable shipping or interim storage costs incurred. This right to transfer title applies to non-expendable personal property having a unit acquisition cost of $1,000 or more. The State Library will issue disposition instructions to the subgrantee within 120 calendar days after the end of the project period. If the State Library fails to issue disposition instructions within the 120 calendar days, the subgrantee may sell the property and reimburse the state or federal government in accordance with (2) above.

## Policy on Disposition of Property Acquired After FY 1985

When non-expendable personal property with a unit acquisition cost of $300 or more is acquired by a grant recipient wholly or in part with federal or state funds or with program income derived from the use of federal or state funds, title shall be vested in the Texas State Library. Title to property with a unit acquisition cost of less than $300 shall be vested in the system member library for which the property was purchased.

The recipient shall retain the property in the project as long as the property is needed to accomplish the purpose of the project. This provision applies even if the project is not currently supported by grant funds. When there is no longer a need for the property to accomplish the purposes of the project, the recipient may use the property in connection with other library services, with priority being given to other federal or state supported library activities. When the property no longer is needed, the grant recipient may request disposition instructions from the State Library.

For property with a unit acquisition cost of $300 or more, the State Library will authorize one of the following alternatives:

1) The subgrantee may be permitted to obtain title. If the property had an acquisition cost of more than $300, then title may be obtained by the subgrantee after compensating the state or federal government an amount computed by applying the federal or state percentage of participation in the cost of the project to the fair market value of the property.

2) The subgrantee may be directed to sell the property. If the property had a unit acquisition cost of $300 or more and is of no further use value, the subgrantee may be authorized to sell the property in a manner which provides for fair competition to the extent practicable and results in the highest possible returns. Proceeds from the sale of the property must be remitted to the Texas State Library. The recipient may, however, deduct and retain $100 or 10 percent of the proceeds, whichever is greater, to cover selling and handling expenses.

3) The subgrantee may be directed to transfer the property to another subgrantee. This right to transfer title applies to non-expendable personal property having a unit acquisition cost of $300 or more. The State Library will issue disposition instructions to the subgrantee within 120 calendar days after the end of the project period. If the State Library fails to issue disposition instructions within the 120 calendar days, the subgrantee may sell the property in accordance with (2) above.

When property with a unit acquisitions cost of less than $300 is purchased for a system member library, title is vested in that library. The library shall retain the property as long as it is needed to accomplish the purpose of the project. When the property is of no further use, the library may sell it. The proceeds from the sale of property may be retained for local use with no further obligation to either state or federal government.

Reconciliation Instructions

For a variety of reasons, it is possible that some variance will occur between the amount of audited expenditures for property and the amount included on the property inventory records. The grant recipient must account to the State Library for the variance.

One means for explaining the variance would involve drawing a sample of vouchers and summarizing from the sample the amount of property with a per unit acquisition cost below $50 (or $300 after September 1, 1982) and the amount of auxiliary costs (e.g., cost of installation, transportation, taxes, duty or protective in-transit insurance) which might have been excluded from the purchase prices listed on the inventories. If the variance between the audited and inventoried expenditures is consistent with the variance found on the sample, then a reasonable explanation is available.

Feel free to identify any other means which seems appropriate for explaining the variance between the amount expended for property in the audit and inventory records. If you have any questions, please contact Grants Administrator, Library Development Division, Texas State Library, Box 12927/Capitol Station, Austin, Texas 78711 or call 512/463-6626.

## APPENDIX E

## TEXAS STATE LIBRARY PROPERTY INVENTORY GUIDELINES
## EQUIPMENT

### Introduction

Since September 1973, the Texas State Library has made cash grants to local agencies of government with funds appropriated through the State Library Systems Act and Titles I and III of the federal Library Services and Construction Act. These cash grants have frequently included budgetary authorization for the purchase of tangible personal property considered necessary to carry out successfully the purposes of the grant program. Under terms of the grant agreement, local agencies agreed to:

- submit an inventory to the Texas State Library of the tangible personal property purchased in whole or part with state and federal grant funds, or program income derived from the use of grant funds;
- conduct a physical inventory for the property at the request of the State Library to determine the condition and location of the property;
- dispose of the property in accordance with instructions from the State Library;
- maintain inventory records which list and describe the property;
- ensure that a control system is in effect to guarantee adequate safeguards to prevent loss, damage, or theft of the personal property; and
- ensure that the property is kept in good condition and that the property is used for the purposes of the grant program.

### Inventory Objectives

This inventory is being conducted by the Texas State Library and the local agencies which purchased grant-funded property. Specific objectives for this physical inventory of property are:

- to verify the accuracy and completeness of the descriptive record for each property item;
- to verify the existence, current utilization, and continued need for grant-funded property; and
- to reconcile the property records against the audited expenditures for property.

## Definitions

The Texas State Library requires that local agencies provide inventory records for non-expendable personal property purchased with grant funds. Local agencies must also provide inventory records for property acquired with program income generated as a result of the grant. Non-expendable personal property is defined as property having a unit acquisition cost of $300.00 or more and a life expectancy of more than one year. This definition includes equipment, furnishings, computer software, books, video-cassettes, films, and other library materials.

Prior to September 1, 1982, subgrantees were required to file inventory records for all equipment and furnishings with a unit acquisitions cost of $50.00 or more and all videocassettes and films, including bonus films. While local agencies no longer need to file inventory records for new purchases under $300.00, they must continue maintaining and updating the inventory records for the earlier purchases. Provisions for State Library contracts #6 - #177 stipulated the former inventory and disposition practices which are still binding on local agencies.

## Scope of Inventory Project

The Texas State Library is limiting this phase of the inventory project to equipment and furnishings. Instructions for conducting inventories of library materials are available from the State Library in separate guidelines.

The property phase of the inventory project will be due to the State Library nine months from the receipt of these guidelines. Local agencies are to contact the Library Development Division staff if any problems arise.

To verify the condition and location of the property assigned by local agencies to other libraries in the state, the Texas State Library staff suggests that you survey the depository libraries. It is not required that you physically verify the condition of the property; rather, you can rely upon the written response of other library directors entrusted with the safekeeping of your equipment.

Within the nine month period, after you complete your inventory, you should return to the State Library one of the print-outs listed below with the status and condition for each item clearly marked. You may return either list.

## Specific Instructions

With these instructions, the Texas State Library is sending a print-out by contract number of the property purchased with grant funds. Corresponding contracts from two sources of funds (e.g., Contract 124a with state funds and Contract 124c with federal funds for library system services) are treated as separate grants. This print-out will facilitate reconciliation of the amount of property listed on the inventory records with the amount of grant funds expended for tangible personal property as reported in the final Financial Status Report or the audit report.

By nine months from the date the guidelines are received, you should return the updated printout to the State Library one print-out. On this print-out you should:

- correct any erroneous information;
- furnish information pertaining to the condition or status of the property and/or to the disposition of the property;

On the enclosed property inventory forms, you should:

- add new property inventory listings which might have been omitted from the inventory records on file at the State Library.

Follow character limitations mentioned elsewhere in these guidelines whenever possible.

Use the terms given in the attached Glossary whenever possible. If no appropriate term is given for the item, furnish an appropriate term, but avoid using brand names.

The specific headings on the property inventory print-outs correspond to the information requested on the Property Inventory Forms mailed in each grant agreement packet. Specific definitions for each data element follow:

Description of Property. The Texas State Library identified for each item of property a glossary term. Following this glossary term are the terms used by the local agency to describe the property. When available, the model number is used to further describe the property. If you are adding new property, please try to limit your description to 136 characters.

Identification Number. This number must ensure that the property can be uniquely identified from other similar property. Either a manufacturer's serial number or a unique inventory control number assigned locally will be sufficient. This field can satisfactorily handle a number of 13 characters. If you have two numbers separate them by means of a slash (/). Where more than 13 numbers were provided for an item, the characters after 13 were dropped. If more that 13 characters are critical for local control functions, we suggest that one set of characters be added to the Property Description field.

Contract Number. This is the number assigned by the Texas State Library. The alpha designation is essential to identifying the source of funds, so be sure to differentiate between corresponding contracts, e.g., Contract 124a and 124c.

Vendor. The vendor designation on the property inventory print-out corresponds to the category "Source of Property" on the Property Inventory Form. In this column identify the vendor, supplier or agent directly reimbursed for delivery of the property. Since this information was not requested prior to Contract 76, you are not required to report it for Contracts 6 through 52.

Purchase Price. The purchase or acquisition cost, according to federal regulations, means "the net invoice price of the equipment, including the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the equipment usable for the purpose for which it was acquired. Other charges such as the cost of installation, transportation, taxes, duty or protective in-transit insurance shall be included in or excluded from the unit acquisitions cost in accordance with the regular accounting practices of the organizations purchasing the equipment. If the item is acquired by trading in another item and paying an additional amount, 'acquisition' cost means the amount received for trade-in plus the additional outlay."

Date of Purchase. This date pertains to the date the property was purchased or acquired. This date may vary according to local accounting and property management systems, but usually it is the date the merchandise was received. However, alternative dates, such as the invoice date, are acceptable.

Local Funds. This column corresponds to the two columns on the Property Inventory Form which are labeled "% Federal" and "% State". Since most property was purchased with funds from a single contract, the State Library only listed on the print-out a percentage if the property item was not exclusively state or federally funded. Therefore, you do not need to add any information to this column unless:

- local funds were used to pay a portion of the property item's cost. In this case the subgrantee would add the percent of local funds used (e.g., "10% local").

- the property item was purchased with funds from two different contracts. For example, if a projector was charged to both Contract 124a and 124c, then the subgrantee should designate in this column of the alphabetically arranged print-out that "45% state, 55% federal" funds were used.

In cases where grant property was traded-in for new property, see Trade-In instructions elsewhere in these guidelines.

Condition/Status. You must designate one of the following codes for Condition (1-5) and Status (6-8) for each item of property listed on the inventory. The eight codes are the following:

Condition (list one for each item)

1. Number 1 means that the property item is new and therefore in excellent condition.

2. Number 2 means that the property is in good condition. It is in working condition and is currently in use exclusively for grant-related purposes.

3. Number 3 means that the property is in good condition. It is in working condition and is currently being shared between the grant program and other local library services.

4. Number 4 means that the property is in good condition. It is in working condition and is currently not being used for any grant-related purposes. However, it is being used for local library services.

5. Number 5 means that the property is damaged. It is broken or in disrepair. Subgrantees should indicate on the annual inventory form whether an effort will be made to repair the item or whether the item will be sold or disposed of in accordance with guidelines.

Status (list one for each item)

6. Number 6 means the property item is missing (e.g., stolen or lost). Stolen items should be reported to the local police and a copy of the police report submitted to the State Library.

7. Number 7 means the property item is stored (e.g., not in use). Subgrantees should indicate whether the property will be used in the immediate future (e.g., film projector which is used as a substitute) or whether the property is no longer serving a useful or necessary purpose. In the latter case, subgrantees should indicate whether the item will be sold or disposed of in accordance with the guidelines.

8. Number 8 means the property item has been disposed of (e.g., sold or traded-in) according to the guidelines. Documentation regarding disposition should be submitted to the State Library immediately after the transaction.

When you return the completed print-out to the State Library, you must include a code from each of the two groups for each piece of property. If a designation from either condition or status grouping is not appropriate, then insert "0." For example, a missing typewriter would be "0/6" since its condition is unknown. A new typewriter would be "1/0" since its condition is new and its status does not fall into missing, stored, or disposed.

Physical Location. This column must be completed for each property item. If property is located in an office or unit not under the direct governance of the local library (e.g., school library), then the location should be more specifically cited.

Date of Sale. If the property was sold, then the date on which the property was transferred to the new owner should be noted on the inventory records. See Disposition Instructions for more information regarding the sale of property.

Sale Price. Identify in this column the price for which the property was sold. Do not include selling costs, such as advertising costs in this column. See Disposition Instructions for more information regarding the sale of property.

Refund Paid TSL. Identify in this column the amount of the refund due the Texas State Library from the sale of property. See Disposition Instructions for more information regarding how to determine the amount of refund.

Other Disposition - Briefly Describe. If the property has been stolen, lost, or destroyed for whatever reason, indicate in this column a description of the problem. If the property was stolen, a copy of the police report must be on file with the Texas State Library. If the State Library's print-out already indicates a number 6 under the Condition/Status column, then a police report is already on file with the State Library.

## Policy on Trade-Ins

Property may be exchanged for replacement property if needed. The replacement may take place either through trade-in or through sale and application of the proceeds to the acquisition cost of the replacement items. If the original property item is traded in, the subgrantee should file with the State Library a Property Disposition Form and should note that the property is being replaced. The "Sale Price" will be the "amount received for trade-in" which according to Education Division General Administrative Regulations (EDGAR) means the "amount that would have been paid for the replacement equipment without a trade-in minus the amount paid with the trade-in. The term refers to the actual difference not necessarily the trade-in value shown on an invoice.

Assume, for example, a sub-grantee wishes to purchase a new typewriter to replace an existing typewriter. If the cost of the new typewriter is $800 without trade-in and the cost of the new typewriter with trade-in is $600, then the sale price or the "amount received for trade-in is $200 ($800 minus $600 equals $200).

## Policy on Disposition of Property

When non-expendable personal property is acquired by a grant recipient wholly or in part with federal or state funds or with program income derived from the use of federal or state funds, title shall be vested in the grant recipient.

The recipient shall retain the property in the project as long as there is need for the property to accomplish the purpose of the project, whether or not the project continues to be supported by grant funds. When there is no longer a need for the property to accomplish the purposes of the project, the recipient may use the property in connection with other library services, with priority being given to other federal or state supported library activities. When the property no longer is needed, the grant recipient may request disposition instructions from the State Library. The State Library will authorize one of the following alternatives:

(1) The subgrantee may be permitted to retain title. If the property had an acquisition cost of more than $1,000, then title may be locally retained after compensating the state or federal government an amount computed by applying the federal or state percentage of participation in the cost of the project to the fair market value of the property.

(2) The subgrantee may be directed to sell the property. If the property had a unit acquisition cost of less than $1,000 and is of no further use value, the subgrantee may be authorized to sell the property in a manner which provides for fair competition to the extent practicable and results in the highest possible returns. Proceeds from the sale of interlibrary loan property held by a Major Resource Center shall be deposited as program income for the current interlibrary loan contract. Proceeds from the sale of all other property entrusted to a Major Resource Center from system, Title III, disadvantaged, or other grants should be deposited into the program income account for the current systems grant. If state funds were originally used to purchase the property, then the sale proceeds would be deposited into the program income account for the state systems grant. Similarly proceeds from the sale of the federally purchased property would be deposited into the federal account. For grant recipients having no current grant from the State Library, the proceeds from the sale of property with a unit acquisitions cost of less than $1,000 may be retained for local use with no further obligation to either the state or federal government.

If the property had a unit acquisition cost of $1,000 or more, the recipient may sell the property and reimburse the federal or state government an amount which is computed by applying the percentage of the federal or state share in the property to the sales proceeds. The recipient may, however, deduct and retain from that amount $100, or 10 percent of the proceeds, whichever is greater, to cover selling and handling expenses.

(3) The subgrantee may be directed to transfer the property title to another subgrantee. In this case, the subgrantee shall be entitled to compensation computed by applying the subgrantee's percentage of participation in the cost of the program or project to the current fair market value of the property, plus any reasonable shipping or interim storage costs incurred. This right to transfer title applies to non-expendable personal property having a unit acquisition cost of $1,000 or more. The State Library will issue disposition instructions to the subgrantee within 120 calendar days after the end of the project period. If the State Library fails to issue disposition instructions within the 120 calendar days, the subgrantee may sell the property and reimburse the state or federal government in accordance with (2) above.

## Reconciliation Instructions

For a variety of reasons, it is possible that some variance will occur between the amount of audited expenditures for property and the amount included on the property inventory records. The grant recipient must account to the State Library for the variance.

One means for explaining the variance would involve drawing a sample of vouchers and summarizing from the sample the amount of property with a per unit acquisition cost below $50 (or $300 after September 1, 1982) and the amount of auxiliary costs (e.g., cost of installation, transportation, taxes, duty or protective in-transit insurance) which might have been excluded from the purchase prices listed on the inventories. If the variance between the audited and inventoried expenditures is consistent with the variance found on the sample, then a reasonable explanation is available.

Feel free to identify any other means which seems appropriate for explaining the variance between the amount expended for property in the audit and inventory records. If you have any questions, please contact Grants Administrator, Library Development Division, Texas State Library, Box 12927/Capitol Station, Austin, Texas 78711 or call 512/463-6626. Office of Management and Budget Circular A-102, Attachment N. Property Management Standards is attached.

# TEXAS STATE LIBRARY
# LIBRARY MATERIAL INVENTORY
# GUIDELINES

## Introduction

Since September 1973, the Texas State Library has made cash grants to local agencies of government with funds appropriated through the State Library Systems Act and Titles I and III of the federal Library Services and Construction Act. These cash grants have frequently included budgetary authorization for the purchase of tangible personal property considered necessary to carry out successfully the purposes of the grant program. Under terms of the grant agreement, local agencies agreed to:

- submit an inventory to the Texas State Library of the tangible personal property purchased in whole or part with state and federal grant funds, or program income derived from the use of grant funds;
- conduct a physical inventory for the property at the request of the State Library to determine the condition and location of the property;
- dispose of the property in accordance with instructions from the State Library;
- maintain inventory records which list and describe the property;
- ensure that a control system is in effect to guarantee adequate safeguards to prevent loss, damage, or theft of the personal property; and
- ensure that the property is kept in good condition and that the property is used for the purposes of the grant program.

## Inventory Objectives

This inventory is being conducted by the Texas State Library and the local agencies which purchased grant-funded library materials. Specific objectives for this physical inventory of property are:

- to verify the accuracy and completeness of the descriptive record for each item;
- to verify the existence, current utilization, and continued need for grant-funded materials; and
- to reconcile the property records against the audited expenditures for materials.

## Definitions

The Texas State Library requires that local agencies provide inventory records for non-expendable material purchased with grant funds. Local agencies must also provide inventory records for materials acquired with program income generated as a result of the grant. Non-expendable material is defined as material having a unit acquisition cost of $300.00 or more and a life expectancy of more than one year. This definition includes computer software, books, video-cassettes, films, and other library materials.

Prior to September 1, 1982, subgrantees were required to file inventory records for all equipment and furnishings with a unit acquisitions cost of $50.00 or more and all videocassettes and films, including bonus films. While local agencies no longer need to file inventory records for new purchases under $300.00, they must continue maintaining and updating the inventory records for the earlier purchases. Provisions for State Library contracts #6 - #177 stipulated the former inventory and disposition practices which are still binding on the local agencies.

## Scope of Inventory Project

The Texas State Library is limiting this phase of the inventory project to films and other library materials. This materials report is due to the State Library within six months from receipt of these guidelines. Local agencies are to contact the State Library, Library Development Division staff if any problems arise.

If any library materials are on deposit at member libraries, the Texas State Library staff suggests that you survey the depository libraries to verify the condition and location of materials. It is not necessary that you physically verify the condition; you can rely upon the written response of the local library directors entrusted with the safekeeping of the materials.

Within the six month period, after you complete your inventory, you should return to the State Library one of the print-outs listed below with the status and condition for each item clearly marked. You may return either list.

## Specific Instructions

With these instructions, the Texas State Library is sending you two printouts of the inventory records for each type of media (film, monograph, videocassette, etc.) you have filed with the state:

- A print-out by contract number of materials purchased with grant funds. Corresponding contracts from two sources of funds (e.g., Contract 124a with state funds and Contract 124c with federal funds for library system services) are treated as separate grants. This print-out will facilitate reconciliation of the amount of materials listed on the inventory records with the amount of grant funds expended for tangible library materials as reported in the audit, if discretely identified.

Specific Instructions (continued)

- a print-out arranged alphabetically by title.

By six months from the date the guidelines are received, you should return to the State Library the print-out by contract number. On this print-out you should:

- correct any erroneous information;
- furnish information pertaining to the condition or status of the materials and/or to the disposition of materials;

On the enclosed inventory forms, you should:

- add new material inventory listings which might have been omitted from the inventory records on file at the State Library.
- Follow character limitations mentioned elsewhere in these guidelines whenever possible.

The specific headings on the inventory print-outs correspond to the information requested on the inventory forms mailed in each grant agreement packet. Specific definitions for each data element follow:

Description of Material. This field includes the title of the film or other library material. When submitting information about monographic purchases on the property form, use full bibliographic citations, including copy numbers. Because of character limitations in the title field, this information will be truncated on the print-out which is prepared by the State Library.

Identification Number. Include in this field the unique inventory number of films, videocassettes, computer software, etc. Either a manufacturer's serial number or a unique inventory control number assigned locally will be sufficient. For monographs, include the classification number. If possible, include the copy number in this field. If you cannot include the copy number in this field and stay within the character limitation, include the copy number in the Description of Material.

Contract Number. This is the number assigned by the Texas State Library. The alpha designation is essential to identifying the source of funds, so be sure to differentiate between corresponding contracts, e.g., Contract 124a and 124c.

Vendor. The vendor designation on the inventory print-out corresponds to the category "Source of Material" on the inventory form. In this column identify the vendor, supplier or agent directly reimbursed for delivery of the material. Since this information was not requested prior to Contract 76, you are not required to report it for Contracts 6 through 52.

Specific Instructions (continued)

Purchase Price. The purchase or acquisition cost, according to federal regulations, means the net invoice price of the material. Other charges such as transportation, taxes, duty or protective in-transit insurance shall be included in or excluded from the unit acquisition cost in accordance with the regular accounting practices of the organization purchasing the equipment. If the item is acquired by trading in another item and paying an additional amount, 'acquisition' cost means the amount received for trade-in plus the additional outlay."

Date of Purchase. This date pertains to the date the material was purchased or acquired. This date may vary according to local accounting and material management systems, but usually it is the date the merchandise was received. However, alternative dates, such as the invoice date, are acceptable.

Local Funds. This column corresponds to the two columns on the inventory form which are labeled "% Federal" and "% State". Since most material is purchased with funds from a single source contract, the field is usually blank. The State Library only lists on the print-out a percentage if the material item was not exclusively state or federally funded. Therefore, you do not need to add any information to this column unless:

- local funds were used to pay a portion of the item's cost. In this case the subgrantee would add the percent of local funds used (e.g., "10% local").

- the item was purchased with funds from two different contracts. For example, if a film was charged to both Contract 124a and 124c, then the subgrantee should designate in this column of the alphabetically arranged print-out that "45% state, 55% federal" funds were used.

In cases where grant material was traded-in for new material, see Trade-In Instructions elsewhere in these guidelines.

Specific Instructions (continued)

Condition/Status. You must designate one of the following codes for Condition (1-5) and Status (6-8) for each item of material listed on the inventory. The eight codes are the following:

Condition (list one for each item)

Number 0 means none of the following designations apply.

1. Number 1 means that the material is new and therefore in excellent condition.
2. Number 2 means that the material is in good condition. It is in working condition and is currently in use exclusively for grant-related purposes.
3. Number 3 means that the material is in good condition. It is in working condition and is currently being shared between the grant program and other local library services.
4. Number 4 means that the material is in good condition. It is usable, but is not currently being used for any grant-related purposes. However, it is being used for local library services.
5. Number 5 means that the material is damaged. It is broken or in disrepair. Subgrantees should indicate on the annual inventory form whether an effort will be made to repair the item or whether the item will be sold or disposed of in accordance with guidelines.

Status (list one for each item)

6. Number 6 means the material is missing (e.g., stolen or lost). Stolen items should be reported to the local police and a copy of the police report submitted to the State Library.
7. Number 7 means the material is stored (e.g., not in use). Subgrantees should indicate whether the material will be used in the immediate future or whether the material is no longer serving a useful or necessary purpose. In the latter case, subgrantees should indicate whether the item will be sold or disposed of in accordance with the guidelines.
8. Number 8 means the material has been disposed of (e.g., sold or traded-in) according to the guidelines. Documentation regarding disposition should be submitted to the State Library immediately after the transaction.

Specific Instructions (continued)

When you return the completed print-out to the State Library, you must include a code from each of the two groups for each piece of material. If a designation from either condition or status grouping is not appropriate, then insert "0." For example, a missing film would be "0/6" since its condition is unknown. A new film would be "1/0" since its condition is new and its status does not fall into missing, stored, or disposed.

Physical Location. This column must be completed for each material item. If the material is located at the Major Resource Center library, you should note it as the major resource center city (e.g., Abilene, Amarillo). However, if the material is located in an office or unit not under the direct governance of the MRC (e.g., school library), then the location should be more specifically cited.

Other Disposition-Briefly Describe. If the material has been stolen, lost, or destroyed for whatever reason, indicate in this column a description of the problem. If the material was stolen, a copy of the police report must be on file with the Texas State Library. If the State Library's print-out already indicates a Number 6 under the Condition-Status column, then a police report is already on file with the State Library.

## Policy on Trade-Ins

Material may be exchanged for replacement material if needed. The replacement may take place either through trade-in or through sale and application of the proceeds to the acquisition cost of the replacement items. If the original item is traded in, the subgrantee should file with the State Library a Disposition Form and should note that the material is being replaced. The "Sale Price" will be the "amount received for trade-in" which according to Education Division General Administrative Regulations (EDGAR) means the "amount that would have been paid for the replacement without a trade-in minus the amount paid with the trade-in. The term refers to the actual difference, not necessarily the trade-in value shown on an invoice."

## Policy on Disposition of Material

When non-expendable material is acquired by a grant recipient wholly or in part with federal or state funds or with program income derived from the use of federal or state funds, title shall be vested in the grant recipient.

The recipient shall retain the material in the project as long as there is need for the material to accomplish the purpose of the project, whether or not the project continues to be supported by grant funds. When there is no longer a need for the material to accomplish the purposes of the project, the recipient may use the material in connection with other library services, with priority being given to other federal or state supported library activities. When the material no longer is needed, the grant recipient may request disposition instructions from the State Library. The State Library will authorize one of the following alternatives:

(1) The subgrantee may be permitted to retain title. If the material had an acquisition cost of more than $1,000, then title may be locally retained after compensating the state or federal government an amount computed by applying the federal or state percentage of participation in the cost of the project to the fair market value of the material.

(2) The subgrantee may be directed to sell the material. If the material had a unit acquisition cost of less than $1,000 and is of no further use value, the subgrantee may be authorized to sell the material in a manner which provides for fair competition to the extent practicable and results in the highest possible returns. Proceeds from the sale of interlibrary loan material held by a Major Resource Center shall be deposited as program income for the current interlibrary loan contract. Proceeds from the sale of all other material entrusted to a Major Resource Center from system, Title III, disadvantaged, or other grants should be deposited into the program income account for the current systems grant. If state funds were originally used to purchase the material, then the sale proceeds would be deposited into the program income account for the state systems grant. Similarly proceeds from the sale of the federally-purchased material would be deposited into the federal account. For grant recipients having no current grant from the State Library, the proceeds from the sale of material with a unit acquisitions cost of less than $1,000 may be retained for local use with no further obligation to either the state or federal government.

If the material had a unit acquisition cost of $1,000 or more, the recipient may sell the material and reimburse the federal or state government an amount which is computed by applying the percentage of the federal or state share in the material to the sales proceeds. The recipient may, however, deduct and retain from that amount $100, or 10 percent of the proceeds, whichever is greater, to cover selling and handling expenses.

(3) The subgrantee may be directed to transfer the material title to another subgrantee. In this case, the subgrantee shall be entitled to compensation computed by applying the subgrantee's percentage of participation in the cost of the program or project to the current fair market value of the material, plus any reasonable shipping or interim storage costs incurred. This right to transfer title applies to non-expendable personal material having a unit acquisition cost of $1,000 or more. The State Library will issue disposition instructions to the subgrantee within 120 calendar days after the end of the project period. If the State Library fails to issue disposition instructions within the 120 calendar days, the subgrantee may sell the material and reimburse the state or federal government in accordance with (2) above.

## Reconciliation Instructions

For a variety of reasons, it is possible that some variance will occur between the amount of audited expenditures for material, when available, and the amount included on the material inventory records. The grant recipient must account to the State Library for the variance. The State Library staff will evaluate whether the variance is within acceptable range.

Feel free to identify any other means which seems appropriate for explaining the variance between the amount expended for material in the audit and inventory records. If you have any questions, please contact Grants Administrator, Library Development Division, Texas State Library, Box 12927/Capitol Station, Austin, Texas 78711 or call 512/463-6626. Office of Management and Budget Circular A-102, Attachment N, Property Management Standards is attached.

# Government-Wide Common Rule for Non-Procurement Debarment and Suspension

## PART __—GOVERNMENTWIDE DEBARMENT AND SUSPENSION (NONPROCUREMENT)

### Subpart A—General

Sec.
__.100 Purpose.
__.105 Definitions.
__.110 Coverage.
__.115 Policy.

### Subpart B—Effect of Action

__.200 Debarment or suspension.
__.205 Ineligible persons.
__.210 Voluntary exclusion.
__.215 Exception provision.
__.220 Continuation of covered transactions.
__.225 Failure to adhere to restrictions.

### Subpart C—Debarment

__.300 General.
__.305 Causes for debarment.
__.310 Procedures.
__.311 Investigation and referral.
__.312 Notice of proposed debarment.
__.313 Opportunity to contest proposed debarment.
__.314 Debarring official's decision.
__.315 Settlement and voluntary exclusion.
__.320 Period of debarment.
__.325 Scope of debarment.

### Subpart D—Suspension

__.400 General.
__.405 Causes for suspension.
__.410 Procedures.
__.411 Notice of suspension.
__.412 Opportunity to contest suspension.
__.413 Suspending official's decision.
__.415 Period of suspension.
__.420 Scope of suspension.

### Subpart E—Responsibilities of GSA, Agency and Participants

__.500 GSA responsibilities.
__.505 [Agency] responsibility.
__.510 Participants' responsibilities.

Appendix A—Certification Regarding Debarment, Suspension, and Other Responsibility Matters—Primary Covered Transactions

Appendix B—Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion—Lower Tier Covered Transactions

Authority: Executive Order 12549, [citation to Agency rulemaking authority]

### Subpart A—General

#### §__.100 Purpose.

(a) Executive Order 12549 provides that, to the extent permitted by law, Executive departments and agencies shall participate in a governmentwide system for nonprocurement debarment and suspension. A person who is debarred or suspended shall be excluded from Federal financial and nonfinancial assistance and benefits under Federal programs and activities. Debarment or suspension of a participant in a program by one agency shall have governmentwide effect.

(b) These regulations implement section 3 of Executive Order 12549 and the guidelines promulgated by the Office of Management and Budget under section 6 of the Executive Order by:

(1) Prescribing the programs and activities that are covered by the governmentwide system;

(2) Prescribing the governmentwide criteria and governmentwide minimum due process procedures that each agency shall use;

(3) Providing for the listing of debarred and suspended participants, participants declared ineligible (see definition of "ineligible" in § __.105(i)), and participants who have voluntarily excluded themselves from participation in covered transactions

(4) Setting forth the consequences of a debarment, suspension, determination of ineligibility, or voluntary exclusion; and

(5) Offering such other guidance as necessary for the effective implementation and administration of the governmentwide system.

(c) Although these regulations cover the listing of ineligible participants and the effect of such listing, they do not prescribe policies and procedures governing declarations of ineligibility.

#### §__.105 Definitions.

(a) *Adequate evidence.* Information sufficient to support the reasonable belief that a particular act or omission has occurred.

(b) *Affiliate.* Persons are affiliates of each another if, directly or indirectly, either one controls or has the power to control the other, *or,* a third person controls or has the power to control both. Indicia of control include, but are not limited to: interlocking management or ownership, identity of interests among family members, shared facilities and equipment, common use of employees, or a business entity organized following the suspension or debarment of a person which has the same or similar management, ownership, or principal employees as the suspended, debarred, ineligible, or voluntarily excluded person.

(c) *Agency.* Any executive department, military department or defense agency or other agency of the executive branch, excluding the independent regulatory agencies.

(d) *Civil judgment.* The disposition of a civil action by any court of competent jurisdiction, whether entered by verdict, decision, settlement, stipulation, or otherwise creating a civil liability for the wrongful acts complained of; or a final determination of liability under the Program Fraud Civil Remedies Act of 1988 (31 U.S.C. 3801–12).

(e) *Conviction.* A judgment of conviction of a criminal offense by any court of competent jurisdiction, whether entered upon a verdict or a plea, including a plea of nolo contendere.

(f) *Debarment.* An action taken by a debarring official in accordance with these regulations to exclude a person from participating in covered transactions. A person so excluded is "debarred."

(g) *Debarring official.* An official authorized to impose debarment. The debarring official is either:

(1) The agency head, or

(2) An official designated by the agency head.

(h) *Indictment.* Indictment for a criminal offense. An information or other filing by competent authority charging a criminal offense shall be given the same effect as an indictment.

(i) *Ineligible.* Excluded from participation in Federal nonprocurement programs pursuant to a determination of ineligibility under statutory, executive order, or regulatory authority, other than Executive Order 12549 and its agency implementing regulations; for exemple, excluded pursuant to the Davis-Bacon Act and its implementing regulations, the equal employment opportunity acts and executive orders, or the environmental protection acts and executive orders. A person is ineligible where the determination of ineligibility affects such person's eligibility to participate in more than one covered transaction.

(j) *Legal proceedings.* Any criminal

proceeding or any civil judicial proceeding to which the Federal Government or a State of local government or quasi-governmental authority is a party. The term includes appeals from such proceedings.

(k) *Nonprocurement List.* The portion of the *List of Parties Excluded from Federal Procurement or Nonprocurement Programs* complied, maintained and distributed by the General Services Administration (GSA) containing the names and other information about persons who have been debarred, suspended, or voluntarily excluded under Executive Order 12549 and these regulations, and those who have been determined to be ineligible.

(l) *Notice.* A written communication served in person or sent by certified mail, return receipt requested, or its equivalent, to the last known address of a party, its identified counsel, its agent for service of process, or any partner, officer, director, owner, or joint venturer of the party. Notice, if undeliverable, shall be considered to have been received by the addressee five days after being properly sent to the last address known by the agency.

(m) *Participant.* Any person who submits a proposal for, enters into, or reasonably may be expected to enter into a covered transaction. This term also includes any person who acts on behalf of or is authorized to commit a participant in a covered transaction as an agent or representative of another participant.

(n) *Person.* Any individual, corporation, partnership, association, unit of government or legal entity, however organized, except: foreign governments or foreign governmental entities, public international organizations, foreign government owned (in whole or in part) or controlled entities, and entities consisting wholly or partially of foreign governments or foreign governmental entities.

(o) *Preponderance of the evidence.* Proof by information that, compared with that opposing it, leads to the conclusion that the fact at issue is more probably true than not.

(p) *Principal.* Officer, director, owner, partner, key employee, or other person within a participant with primary management or supervisory responsibilities; or a person who has a critical influence on or substantive control over a covered transaction, whether or not employed by the participant. Persons who have a critical influence on or substantive control over a covered transaction are:

(1) Principal investigators.

(q) *Proposal.* A solicited or unsolicited bid, application, request, invitation to consider or similar communication by or on behalf of a person seeking to participate or to receive a benefit, directly or indirectly, in or under a covered transaction.

(r) *Respondent.* A person against whom a debarment or suspension action has been initiated.

(s) *State.* Any of the States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or any agency of a State, exclusive of institutions of higher education, hospitals, and units of local government. A State instrumentality will be considered part of the State government if it has a written determination from a State government that such State considers that instrumentality to be an agency of the State government.

(t) *Suspending official.* An official authorized to impose suspension. The suspending official is either:

(1) The agency head, or

(2) An official designated by the agency head.

(u) *Suspension.* An action taken by a suspending official in accordance with these regulations that immediately excludes a person from participating in covered transactions for a temporary period, pending completion of an investigation and such legal, debarment, or Program Fraud Civil Remedies Act proceedings as may ensue. A person so excluded is "suspended."

(v) *Voluntary exclusion or voluntarily excluded.* A status of nonparticipation or limited participation in covered transactions assumed by a person pursuant to the terms of a settlement.

§ ____.110 Coverage.

(a) These regulations apply to all persons who have participated, are currently participating or may reasonably be expected to participate in transactions under Federal nonprocurement programs. For purposes of these regulations such transactions will be referred to as "covered transactions."

(1) *Covered transaction.* For purposes of these regulations, a covered transaction is a primary covered transaction or a lower tier covered transaction. Covered transactions at any tier need not involve the transfer of Federal funds.

(i) *Primary covered transaction.* Except as noted in paragraph (a)(2) of this section, a primary covered transaction is any nonprocurement transaction between an agency and a person, regardless of type, including: grants, cooperative agreements, scholarships, fellowships, contracts of assistance, loans, loan guarantees, subsidies, insurance, payments for specified use, donation agreements and any other nonprocurement transactions between a Federal agency and a person. Primary covered transactions also include those transactions specially designated by the U.S. Department of Housing and Urban Development in such agency's regulations governing debarment and suspension.

(ii) *Lower tier covered transaction.* A lower tier covered transaction is:

(A) Any transaction between a participant and a person other than a procurement contract for goods or services, regardless of type, under a primary covered transaction.

(B) Any procurement contract for goods or services between a participant and a person, regardless of type, expected to equal or exceed the Federal procurement small purchase threshold fixed at 10 U.S.C. 2304(g) and 41 U.S.C. 253(g) (currently $25,000) under a primary covered transaction.

(C) Any procurement contract for goods or services between a participant and a person under a covered transaction, regardless of amount, under which that person will have a critical influence on or substantive control over that covered transaction. Such persons are:

(*1*) Principal investigators.

(*2*) Providers of federally-required audit services.

(2) *Exceptions.* The following transactions are not covered:

(i) Statutory entitlements or mandatory awards (but not subtier awards thereunder which are not themselves mandatory), including deposited funds insured by the Federal Government;

(ii) Direct awards to foreign governments or public international organizations, or transactions with foreign governments or foreign governmental entities, public international organizations, foreign government owned (in whole or in part) or controlled entities, entities consisting wholly or partially of foreign governments or foreign governmental entities;

(iii) Benefits to an individual as a personal entitlement without regard to the individual's present responsibility (but benefits received in an individual's business capacity are not excepted);

BEST COPY AVAILABLE

(iv) Federal employment;

(v) Transactions pursuant to national or agency-recognized emergencies or disasters;

(vi) Incidental benefits derived from ordinary governmental operations; and

(vii) Other transactions where the application of these regulations would be prohibited by law.

(b) *Relationship to other sections.* This section describes the types of transactions to which a debarment or suspension under the regulations will apply. Subpart B, "Effect of Action," § ____.200, "Debarment or suspension," sets forth the consequences of a debarment or suspension. Those consequences would obtain only with respect to participants and principals in the covered transactions and activities described in § ____.110(a). Sections ____.325, "Scope of debarment," and ____.420, "Scope of suspension," govern the extent to which a specific participant or organizational elements of a participant would be automatically included within a debarment or suspension action, and the conditions under which affiliates or persons associated with a participant may also be brought within the scope of the action.

(c) *Relationship to Federal procurement activities.* Debarment and suspension of Federal procurement contractors and subcontractors under Federal procurement contracts are covered by the Federal Acquisition Regulation (FAR), 48 CFR Subpart 9.4.

### § ____.115 Policy.

(a) In order to protect the public interest, it is the policy of the Federal Government to conduct business only with responsible persons. Debarment and suspension are discretionary actions that, taken in accordance with Executive Order 12549 and these regulations, are appropriate means to implement this policy.

(b) Debarment and suspension are serious actions which shall be used only in the public interest and for the Federal Government's protection and not for purposes of punishment. Agencies may impose debarment or suspension for the causes and in accordance with the procedures set forth in these regulations.

(c) When more than one agency has an interest in the proposed debarment or suspension of a person, consideration shall be given to designating one agency as the lead agency for making the decision. Agencies are encouraged to establish methods and procedures for coordinating their debarment or suspension actions.

## Subpart B—Effect of Action

### § ____.200 Debarment or suspension.

(a) *Primary covered transactions.* Except to the extent prohibited by law, persons who are debarred or suspended shall be excluded from primary covered transactions as either participants or principals throughout the executive branch of the Federal Government for the period of their debarment or suspension. Accordingly, no agency shall enter into primary covered transactions with such debarred or suspended persons during such period, except as permitted pursuant to § ____.215.

(b) *Lower tier covered transactions.* Except to the extent prohibited by law, persons who have been debarred or suspended shall be excluded from participating as either participants or principals in all lower tier covered transactions (see § ____.110(a)(1)(ii)) for the period of their debarment or suspension.

(c) *Exceptions.* Debarment or suspension does not affect a person's eligibility for:

(1) Statutory entitlements or mandatory awards (but not subtier awards thereunder which are not themselves mandatory), including deposited funds insured by the Federal Government;

(2) Direct awards to foreign governments or public international organizations, or transactions with foreign governments or foreign governmental entities, public international organizations, foreign government owned (in whole or in part) or controlled entities, and entities consisting wholly or partially of foreign governments or foreign governmental entities;

(3) Benefits to an individual as a personal entitlement without regard to the individual's present responsibility (but benefits received in an individual's business capacity are not excepted);

(4) Federal employment;

(5) Transactions pursuant to national or agency-recognized emergencies or disasters;

(6) Incidental benefits derived from ordinary governmental operations; and

(7) Other transactions where the application of these regulations would be prohibited by law.

### § ____.205 Ineligible persons.

Persons who are ineligible, as defined in § ____.105(i), are excluded in accordance with the applicable statutory, executive order, or regulatory authority.

### § ____.210 Voluntary exclusion.

Persons who accept voluntary exclusions under § ____.315 are excluded in accordance with the terms of their settlements. [Agency] shall, and participants may, contact the original action agency to ascertain the extent of the exclusion.

### § ____.215 Exception provision.

[Agency] may grant an exception permitting a debarred, suspended, or voluntarily excluded person to participate in a particular covered transaction upon a written determination by the agency head or an authorized designee stating the reason(s) for deviating from the Presidential policy established by Executive Order 12549 and § ____.200 of this rule. However, in accordance with the President's stated intention in the Executive Order, exceptions shall be granted only infrequently. Exceptions shall be reported in accordance with § ____.505(a).

### § ____.220 Continuation of covered transactions.

(a) Notwithstanding the debarment, suspension, determination of ineligibility, or voluntary exclusion of any person by an agency, agencies and participants may continue covered transactions in existence at the time the person was debarred, suspended, declared ineligible, or voluntarily excluded. A decision as to the type of termination action, if any, to be taken should be made only after thorough review to ensure the propriety of the proposed action.

(b) Agencies and participants shall not renew or extend covered transactions (other than no-cost time extensions) with any person who is debarred, suspended, ineligible, or voluntarily excluded, except as provided in § ____.215.

### § ____.225 Failure to adhere to restrictions.

Except as permitted under § ____.215 or § ____.220 of these regulations, a participant shall not knowingly do business under a covered transaction with a person who is debarred or suspended, or with a person who is

BEST COPY AVAILABLE

ineligible for or voluntarily excluded from that covered transaction. Violation of this restriction may result in disallowance of costs, annulment or termination of award, issuance of a stop work order, debarment or suspension, or other remedies, as appropriate. A participant may rely upon the certification of a prospective participant in a lower tier covered transaction that it and its principals are not debarred, suspended, ineligible, or voluntarily excluded from the covered transaction (see Appendix B), unless it knows that the certification is erroneous. An agency has the burden of proof that such participant did knowingly do business with such a person.

## Subpart C—Debarment

### § ____.300 General.

The debarring official may debar a person for any of the causes in § ____.305, using procedures established in §§ ____.310 through ____.314. The existence of a cause for debarment, however, does not necessarily require that the person be debarred; the seriousness of the person's acts or omissions and any mitigating factors shall be considered in making any debarment decision.

### § ____.305 Causes for debarment.

Debarment may be imposed in accordance with the provisions of §§ ____.300 through ____.314 for:

(a) Conviction of or civil judgment for:

(1) Commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public or private agreement or transaction;

(2) Violation of Federal or State antitrust statutes, including those proscribing price fixing between competitors, allocation of customers between competitors, and bid rigging;

(3) Commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, receiving stolen property, making false claims, or obstruction of justice; or

(4) Commission of any other offense indicating a lack of business integrity or business honesty that seriously and directly affects the present responsibility of a person.

(b) Violation of the terms of a public agreement or transaction so serious as to affect the integrity of an agency program, such as:

(1) A willful failure to perform in accordance with the terms of one or more public agreements or transactions;

(2) A history of failure to perform or of unsatisfactory performance of one or more public agreements or transactions; or

(3) A willful violation of a statutory or regulatory provision or requirement applicable to a public agreement or transaction.

(c) Any of the following causes:

(1) A nonprocurement debarment by any Federal agency taken before October 1, 1988, the effective date of these regulations, or a procurement debarment by any Federal agency taken pursuant to 48 CFR Subpart 9.4;

(2) Knowingly doing business with a debarred, suspended, ineligible, or voluntarily excluded person, in connection with a covered transaction, except as permitted in § ____.215 or § ____.220;

(3) Failure to pay a single substantial debt, or a number of outstanding debts (including disallowed costs and overpayments, but not including sums owed the Federal Government under the Internal Revenue Code) owed to any Federal agency or instrumentality, provided the debt is uncontested by the debtor or, if contested, provided that the debtor's legal and administrative remedies have been exhausted; or

(4) Violation of a material provision of a voluntary exclusion agreement entered into under § ____.315 or of any settlement of a debarment or suspension action.

(d) Any other cause of so serious or compelling a nature that it affects the present responsibility of a person.

### § ____.310 Procedures.

[Agency] shall process debarment actions as informally as practicable, consistent with the principles of fundamental fairness, using the procedures in §§ ____.311 through ____.314.

### § ____.311 Investigation and referral.

Information concerning the existence of a cause for debarment from any source shall be promptly reported, investigated, and referred, when appropriate, to the debarring official for consideration. After consideration, the debarring official may issue a notice of proposed debarment.

### § ____.312 Notice of proposed debarment.

A debarment proceeding shall be initiated by notice to the respondent advising:

(a) That debarment is being considered;

(b) Of the reasons for the proposed debarment in terms sufficient to put the respondent on notice of the conduct or transaction(s) upon which it is based;

(c) Of the cause(s) relied upon under § ____.305 for proposing debarment;

(d) Of the provisions of § ____.311 through § ____.314, and any other [Agency] procedures, if applicable, governing debarment decisionmaking; and

(e) Of the potential effect of a debarment.

### § ____.313 Opportunity to contest proposed debarment.

(a) *Submission in opposition.* Within 30 days after receipt of the notice of proposed debarment, the respondent may submit, in person, in writing, or through a representative, information and argument in opposition to the proposed debarment.

(b) *Additional proceedings as to disputed material facts.* (1) In actions not based upon a conviction or civil judgment, if the debarring official finds that the respondent's submission in opposition raises a genuine dispute over facts material to the proposed debarment, respondent(s) shall be afforded an opportunity to appear with a representative, submit documentary evidence, present witnesses, and confront any witness the agency presents.

(2) A transcribed record of any additional proceedings shall be made available at cost to the respondent, upon request, unless the respondent and the agency, by mutual agreement, waive the requirement for a transcript.

### § ____.314 Debarring official's decision.

(a) *No additional proceedings necessary.* In actions based upon a conviction or civil judgment, or in which there is no genuine dispute over material facts, the debarring official shall make a decision on the basis of all the information in the administrative record, including any submission made by the respondent. The decision shall be made within 45 days after receipt of any information and argument submitted by the respondent, unless the debarring official extends this period for good cause.

(b) *Additional proceedings necessary.* (1) In actions in which additional proceedings are necessary to determine disputed material facts, written findings of fact shall be prepared. The debarring official shall base the decision on the facts as found, together with any information and argument submitted by the respondent and any other information in the administrative record.

(2) The debarring official may refer disputed material facts to another official for findings of fact. The debarring official may reject any such findings, in whole or in part, only after specifically determining them to be

arbitrary and capricious or clearly erroneous.

(3) The debarring official's decision shall be made after the conclusion of the proceedings with respect to disputed facts.

(c) (1) *Standard of proof.* In any debarment action, the cause for debarment must be established by a preponderance of the evidence. Where the proposed debarment is based upon a conviction or civil judgment, the standard shall be deemed to have been met.

(2) *Burden of proof.* The burden of proof is on the agency proposing debarment.

(d) *Notice of debarring official's decision.* (1) If the debarring official decides to impose debarment, the respondent shall be given prompt notice:

(i) Referring to the notice of proposed debarment;

(ii) Specifying the reasons for debarment;

(iii) Stating the period of debarment, including effective dates; and

(iv) Advising that the debarment is effective for covered transactions throughout the executive branch of the Federal Government unless an agency head or an authorized designee makes the determination referred to in § ____.215.

(2) If the debarring official decides not to impose debarment, the respondent shall be given prompt notice of that decision. A decision not to impose debarment shall be without prejudice to a subsequent imposition of debarment by any other agency.

### § ____.135 Settlement and voluntary exclusion.

(a) When in the best interest of the Government, [Agency] may, at any time, settle a debarment or suspension action.

(b) If a participant and the agency agree to a voluntary exclusion of the participant, such voluntary exclusion shall be entered on the Nonprocurement List (see Subpart E).

### § ____.320 Period of debarment.

(a) Debarment shall be for a period commensurate with the seriousness of the causes(s). Generally, a debarment should not exceed three years. Where circumstances warrant, a longer period of debarment may be imposed. If a suspension precedes a debarment, the suspension period shall be considered in determining the debarment period.

(b) The debarring official may extend an existing debarment for an additional period, if that official determines that an extension is necessary to protect the public interest. However, a debarment may not be extended solely on the basis of the facts and circumstances upon which the initial debarment action was based. If debarment for an additional period is determined to be necessary, the procedures of §§ ____.311 through ____.314 shall be followed to extend the debarment.

(c) The respondent may request the debarring official to reverse the debarment decision or to reduce the period or scope of debarment. Such a request shall be in writing and supported by documentation. The debarring official may grant such a request for reasons including, but not limited to:

(1) Newly discovered material evidence;

(2) Reversal of the conviction or civil judgment upon which the debarment was based;

(3) Bona fide change in ownership or management;

(4) Elimination of other causes for which the debarment was imposed; or

(5) Other reasons the debarring official deems appropriate.

### § ____.325 Scope of debarment.

(a) *Scope in general.* (1) Debarment of a person under these regulations constitutes debarment of all its divisions and other organizational elements from all covered transactions, unless the debarment decision is limited by its terms to one or more specifically identified individuals, divisions or other organizational elements or to specific types of transactions.

(2) The debarment action may include any affiliate of the participant that is specifically named and given notice of the proposed debarment and an opportunity to respond (see §§ ____.311 through ____.314).

(b) *Imputing conduct.* For purposes of determining the scope of debarment, conduct may be imputed as follows:

(1) *Conduct imputed to participant.* The fraudulent, criminal or other seriously improper conduct of any officer, director, shareholder, partner, employee, or other individual associated with a participant may be imputed to the participant when the conduct occurred in connection with the individual's performance of duties for or on behalf of the participant, or with the participant's knowledge, approval, or acquiescence. The participant's acceptance of the benefits derived from the conduct shall be evidence of such knowledge, approval, or acquiescence.

(2) *Conduct imputed to individuals associated with participant.* The fraudulent, criminal, or other seriously improper conduct of a participant may be imputed to any officer, director, shareholder, partner, employee, or other individual associated with the participant who participated in, knew of, or had reason to know of the participant's conduct.

(3) *Conduct of one participant imputed to other participants in a joint venture.* The fraudulent, criminal, or other seriously improper conduct of one participant in a joint venture, grant pursuant to a joint application, or similar arrangement may be imputed to other participants if the conduct occurred for or on behalf of the joint venture, grant pursuant to a joint application, or similar arrangement may be imputed to other participants if the conduct occurred for or on behalf of the joint venture, grant pursuant to a joint application, or similar arrangement or with the knowledge, approval, or acquiescence of these participants. Acceptance of the benefits derived from the conduct shall be evidence of such knowledge, approval, or acquiescence.

## Subpart D—Suspension

### § ____.400 General.

(a) The suspending official may suspend a person for any of the causes in § ____.405 using procedures established in §§ ____.410 through ____.413.

(b) Suspension is a serious action to be imposed only when:

(1) There exists adequate evidence of one or more of the causes set out in § ____.405, and

(2) Immediate action is necessary to protect the public interest.

(c) In assessing the adequacy of the evidence, the agency should consider how much information is available, how credible it is given the circumstances, whether or not important allegations are corroborated, and what inferences can reasonably be drawn as a result. This assessment should include an examination of basic documents such as grants, cooperative agreements, loan authorizations, and contracts.

### § ____.405. Causes for suspension.

(a) Suspension may be imposed in accordance with the provisions of §§ ____.400 through ____.413 upon adequate evidence:

(1) To suspect the commission of an offense listed in § ____.305(a); or

(2) That a cause for debarment under § ____.305 may exist.

(b) Indictment shall constitute adequate evidence for purposes of suspension actions.

### § ____.410 Procedures.

(a) *Investigation and referral.* Information concerning the existence of a cause for suspension from any source

BEST COPY AVAILABLE

shall be promptly reported, investigated, and referred, when appropriate, to the suspending official for consideration. After consideration, the suspending official may issue a notice of suspension.

(b) *Decisionmaking process.* [Agency] shall process suspension actions as informally as practicable, consistent with principles of fundamental fairness, using the procedures in § ____.411 through § ____.413.

### § ____.411 Notice of suspension.

When a respondent is suspended, notice shall immediately be given:

(a) That suspension has been imposed;

(b) That the suspension is based on an indictment, conviction, or other adequate evidence that the respondent has committed irregularities seriously reflecting on the propriety of further Federal Government dealings with the respondent;

(c) Describing any such irregularities in terms sufficient to put the respondent on notice without disclosing the Federal Government's evidence;

(d) Of the cause(s) relied upon under § ____.405 for imposing suspension;

(e) That the suspension is for a temporary period pending the completion of an investigation or ensuing legal, debarment, or Program Fraud Civil Remedies Act proceedings;

(f) Of the provisions of § ____.411 through § ____.413 and any other [Agency] procedures, if applicable, governing suspension decisionmaking; and

(g) Of the effect of the suspension.

### § ____.412 Opportunity to contest suspension.

(a) *Submission in opposition.* Within 30 days after receipt of the notice of suspension, the respondent may submit, in person, in writing, or through a representative, information and argument in opposition to the suspension.

(b) *Additional proceedings as to disputed material facts.* (1) If the suspending official finds that the respondent's submission in opposition raises a genuine dispute over facts material to the suspension, respondent(s) shall be afforded an opportunity to appear with a representative, submit documentary evidence, present witnesses, and confront any witness the agency presents, unless:

(i) The action is based on an indictment, conviction or civil judgment, or

(ii) A determination is made, on the basis of Department of Justice advice, that the substantial interests of the Federal Government in pending or contemplated legal proceedings based on the same facts as the suspension would be prejudiced.

(2) A transcribed record of any additional proceedings shall be prepared and made available at cost to the respondent, upon request, unless the respondent and the agency, by mutual agreement, waive the requirement for a transcript.

### § ____.413 Suspending official's decision.

The suspending official may modify or terminate the suspension (for example, see § ____.320(c) for reasons for reducing the period or scope of debarment) or may leave it in force. However, a decision to modify or terminate the suspension shall be without prejudice to the subsequent imposition of suspension by any other agency or debarment by any agency. The decision shall be rendered in accordance with the following provisions:

(a) *No additional proceedings necessary.* In actions: based on an indictment, conviction, or civil judgment; in which there is no genuine dispute over material facts; or in which additional proceedings to determine disputed material facts have been denied on the basis of Department of Justice advice, the suspending official shall make a decision on the basis of all the information in the administrative record, including any submission made by the respondent. The decision shall be made within 45 days after receipt of any information and argument submitted by the respondent, unless the suspending official extends this period for good cause.

(b) *Additional proceedings necessary.* (1) In actions in which additional proceedings are necessary to determine disputed material facts, written findings of fact shall be prepared. The suspending official shall base the decision on the facts as found, together with any information and argument submitted by the respondent and any other information in the administrative record.

(2) The suspending official may refer matters involving disputed material facts to another official for findings of fact. The suspending official may reject any such findings, in whole or in part, only after specifically determining them to be arbitrary or capricious or clearly erroneous.

(c) *Notice of suspending official's decision.* Prompt written notice of the suspending official's decision shall be sent to the respondent.

### § ____.415 Period of suspension.

(a) Suspension shall be for a temporary period pending the completion of an investigation or ensuing legal, debarment, or Program Fraud Civil Remedies Act proceedings, unless terminated sooner by the suspending official or as provided in paragraph (b) of this section.

(b) If legal or administrative proceedings are not initiated within 12 months after the date of the suspension notice, the suspension shall be terminated unless an Assistant Attorney General or United States Attorney requests its extension in writing, in which case it may be extended for an additional six months. In no event may a suspension extend beyond 18 months, unless such proceedings have been initiated within that period.

(c) The suspending official shall notify the Department of Justice of an impending termination of a suspension, at least 30 days before the 12-month period expires, to give that Department an opportunity to request an extension.

### § ____.420 Scope of suspension.

The scope of a suspension is the same as the scope of a debarment (see § ____.325), except that the procedures of §§ ____.410 through ____.413 shall be used in imposing a suspension.

## Subpart E—Responsibilities of GSA, Agency and Participants

### § ____.500 GSA responsibilities.

(a) In accordance with the OMB guidelines, GSA shall compile, maintain, and distribute a list of all persons who have been debarred, suspended, or voluntarily excluded by agencies under Executive Order 12549 and these regulations, and those who have been determined to be ineligible.

(b) At a minimum, this list shall indicate:

(1) The names and addresses of all debarred, suspended, ineligible, and voluntarily excluded persons, in alphabetical order, with cross-references when more than one name is involved in a single action;

(2) The type of action;

(3) The cause for the action;

(4) The scope of the action;

(5) Any termination date for each listing; and

(6) The agency and name and telephone number of the agency point of contact for the action.

### § ____.505 [Agency] responsibilities.

(a) The agency shall provide GSA with current information concerning debarments, suspension, determinations of ineligibility, and voluntary exclusions it has taken. Until February 18, 1989, the agency shall also provide GSA and OMB with information concerning all transactions in which [Agency] has granted exceptions under § ______215 permitting participation by debarred, suspended, or voluntarily excluded persons.

(b) Unless an alternative schedule is agreed to by GSA, the agency shall advise GSA of the information set forth in § ______.500(b) and of the exceptions granted under § ______.215 within five working days after taking such actions.

(c) The agency shall direct inquiries concerning listed persons to the agency that took the action.

(d) Agency officials shall check the Nonprocurement List before entering covered transactions to determine whether a participant in a primary transaction is debarred, suspended, ineligible, or voluntarily excluded (Tel. #).

(e) Agency officials shall check the Nonprocurement List before approving principals or lower tier participants where agency approval of the principal or lower tier participant is required under the terms of the transaction, to determine whether such principals or participants are debarred, suspended, ineligible, or voluntarily excluded.

**§ ______510 Participants' responsibilities.**

(a) *Certification by participants in primary covered transactions.* Each participant shall submit the certification in Appendix A to this Part for it and its principals at the time the participant submits its proposal in connection with a primary covered transaction, except that States need only complete such certification as to their principals. Participants may decide the method and frequency by which they determine the eligibility of their principals. In addition, each participant may, but is not required to, check the Nonprocurement List for its principals (Tel. #). Adverse information on the certification will not necessarily result in denial of participation. However, the certification, and any additional information pertaining to the certification submitted by the participant, shall be considered in the administration of covered transactions.

(b) *Certification by participants in lower tier covered transactions.* (1) Each participant shall require participants in lower tier covered transactions to include the certification in Appendix B to this Part for it and its principals in any proposal submitted in connection with such lower tier covered transactions.

(2) A participant may rely upon the certification of a prospective participant in a lower tier covered transaction that it and its principals are not debarred, suspended, ineligible, or voluntarily excluded from the covered transaction by any Federal agency, unless it knows that the certification is erroneous. Participants may decide the method and frequency by which they determine the eligiblity of their principals. In addition, a participant may, but is not required to, check the Nonprocurement List for its principals and for participants (Tel. #).

(c) *Changed circumstances regarding certification.* A participant shall provide immediate written notice to [Agency] if at any time the participant learns that its certification was erroneous when submitted or has become erroneous by reason of changed circumstances. Participants in lower tier covered transactions shall provide the same updated notice to the participant to which it submitted its proposals.

## Appendix A—Certification Regarding Debarment, Suspension, and Other Responsibility Matters—Primary Covered Transactions

*Instructions for Certification*

1. By signing and submitting this proposal, the prospective primary participant is providing the certification set out below.

2. The inability of a person to provide the certification required below will not necessarily result in denial of participation in this covered transaction. The prospective participant shall submit an explanation of why it cannot provide the certification set out below. The certification or explanation will be considered in connection with the department or agency's determination whether to enter into this transaction. However, failure of the prospective primary participant to furnish a certification or an explanation shall disqualify such person from participation in this transaction.

3. The certification in this clause is a material representation of fact upon which reliance was placed when the department or agency determined to enter into this transaction. If it is later determined that the prospective primary participant knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government, the department or agency may terminate this transaction for cause of default.

4. The prospective primary participant shall privide immediate written notice to the department or agency to whom this proposal is submitted if at any time the prospective primary participant learns that its certification was erroneous when submitted or has become erroneous by reason of changed circumstances.

5. The terms "covered transaction," "debarred," "suspended," "ineligible," "lower tier covered transaction," "participant," "person," "primary covered transaction," "principal," "proposal," and "voluntarily excluded," as used in this clause, have the meanings set out in the Definitions and Coverage sections of the rules implementing Executive Order 12549. You may contact the department or agency to which this proposal is being submitted for assistance in obtaining a copy of those regulations.

6. The prospective primary participant agrees by submitting this proposal that, should the proposed covered transaction be entered into, it shall not knowingly enter into any lower tier covered transaction with a person who is debarred, suspended, declared ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by the department or agency entering into this transaction.

7. The prospective primary participant further agrees by submitting this proposal that it will include the clause titled "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion—Lower Tier Covered Transaction," provided by the department or agency entering into this covered transaction, without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.

8. A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that it is not debarred, suspended, ineligible, or voluntarily excluded from the covered transaction, unless it knows that the certification is erroneous. A participant may decide the method and frequency by which it determines the eligibility of its principals. Each participant may, but is not required to, check the Nonprocurement List (Tel. #).

9. Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.

10. Except for transactions authorized under paragraph 6 of these instructions, if a participant in a covered transaction knowingly enters into a lower tier covered transaction with a person who is suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal Government, the department or agency may terminate this transaction for cause or default.

*Certification Regarding Debarment, Suspension, and Other Responsibility Matters—Primary Covered Transactions*

(1) The prospective primary participant certifies to the best of its knowledge and belief, that it and its principals:

(a) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal department or agency;

(b) Have not within a three-year period preceding this proposal been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State of local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;

(c) Are not presently indicted for or otherwise criminally or civilly charged by a governmental entity (Federal, State or local) with commission of any of the offenses enumerated in paragraph (1)(b) of this certification; and

(d) Have not within a three-year period preceding this application/proposal had one or more public transactions (Federal, State or local) terminated for cause or default.

(2) Where the prospective primary participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

## Appendix B—Certification Regarding Debarment, Suspension, Ineligibilty and Voluntary Exclusion—Lower Tier Covered Transactions

*Instructions for Certification*

1. By signing and submitting this proposal, the prospective lower tier participant is providing the certification set out below.

2. The certification in this clause is a material representation of fact upon which reliance was placed when this transaction was entered into. If it is later determined that the prospective lower tier participant knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government, the department or agency with which this transaction originated may pursue available remedies, including suspension and/or debarment.

3. The prospective lower tier participant shall provide immediate written notice to the person to which this proposal is submitted if at any time the prospective lower tier participant learns that its certification was erroneous when submitted or has become erroneous by reason of changed circumstances.

4. The terms "covered transaction," "debarred," "suspended," "ineligible," "lower tier covered transaction," "participant," "person," "primary covered transaction," "principal," "proposal," and "voluntarily excluded," as used in this clause, have the meanings set out in the Definitions and Coverage sections of rules implementing Executive Order 12549. You may contact the person to which this proposal is submitted for assistance in obtaining a copy of those regulations.

5. The prospective lower tier participant agrees by submitting this proposal that, should the proposed covered transaction be entered into, it shall not knowingly enter into any lower tier covered transaction with a person who is debarred, suspended, declared ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by the department or agency with which this transaction originated.

6. The prospective lower tier participant further agrees by submitting this proposal that it will include this clause titled "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion—Lower Tier Covered Transaction," without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.

7. A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that it is not debarred, suspended, ineligible, or voluntarily excluded from the covered transaction, unless it knows that the certification is erroneous. A participant may decide the method and frequency by which it determines the eligibility of its principals. Each participant may, but is not required to, check the Nonprocurement List (Tel. #).

8. Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.

9. Except for transactions authorized under paragraph 5 of these instructions, if a participant in a covered transaction knowingly enters into a lower tier covered transaction with a person who is suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal Government, the department or agency with which this transaction originated may pursue available remedies, including suspension and/or debarment.

*Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion—Lower Tier Covered Transactions*

(1) The prospective lower tier participant certifies, by submission of this proposal, that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal department or agency.

(2) Where the prospective lower tier participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

[FR Doc. 88-11561 Filed 5-25-88; 8:45 am]

# Government-Wide Requirements for A Drug-Free Workplace (Grants)

## PART ____—GOVERNMENTWIDE DEPARTMENT AND SUSPENSION (NON-PROCUREMENT) AND GOVERNMENTWIDE REQUIREMENTS FOR DRUG-FREE WORKPLACE (GRANTS)

**§ ____.305 Causes for debarment.**

* * * * *

(c) * * *

(5) Violation of any requirement of Subpart F of this part, relating to providing a drug-free workplace, as set forth in § ____.615 of this part.

* * * * *

**§ ____.320 Period of debarment.**

(a) Debarment shall be for a period commensurate with the seriousness of the cause(s). If a suspension precedes a debarment, the suspension period shall be considered in determining the debarment period.

(1) Debarment for causes other than those related to a violation of the requirements of Subpart F of this part generally should not exceed three years. Where circumstances warrant, a longer period of debarment may be imposed.

(2) In the case of a debarment for a violation of the requirements of Subpart F of this part (*see* ____.305(c)(5)), the period of debarment shall not exceed five years.

* * * * *

**Subpart F—Drug-Free Workplace Requirements (Grants)**

____.600 Purpose.
____.605 Definitions.
____.610 Coverage.
____.615 Grounds for suspension of payments, suspension or termination of grants, or suspension or debarment.
____.620 Effect of violation.
____.625 Exception provision.
____.630 Grantees' responsibilities.

### Subpart F—Drug-Free Workplace Requirements (Grants)

**§ ____.600 Purpose.**

(a) The purpose of this subpart is to carry out the Drug-Free Workplace Act of 1988 by requiring that—

(1) A grantee, other than an individual, shall certify to the agency that it will provide a drug-free workplace;

(2) A grantee who is an individual shall certify to the agency that, as a condition of the grant, he or she will not engage in the unlawful manufacture, distribution, dispensing, possession or use of a controlled substance in conducting any activity with the grant.

(b) Requirements implementing the Drug-Free Workplace Act of 1988 for contractors with the agency are found at 48 CFR Subparts 9.4, 23.5, and 52.2.

**§ ____.605 Definitions.**

(a) Except as amended in this section, the definitions of § ____.105 apply to this subpart.

(b) For purposes of this subpart—

(1) "Controlled substance" means a controlled substance in schedules I through V of section 202 of the Controlled Substances Act (21 U.S.C. 812), and as further defined by regulation at 21 CFR 1300.11 through 1300.15.

(2) "Conviction" means a finding of guilt (including a plea of nolo contendere) or imposition of sentence, or both, by any judicial body charged with the responsibility to determine violations of the Federal or State criminal drug statutes;

(3) "Criminal drug statute" means a Federal or non-Federal criminal statute involving the manufacture, distribution, dispensing, use or possession of any controlled substance;

(4) "Drug-free workplace" means a site for the performance of work done in connection with a specific grant at which employees of the grantee are prohibited from engaging in the unlawful manufacture, distribution, dispensing, possession or use of a controlled substance;

(5) "Employee" means the employee of a grantee directly engaged in the performance of work pursuant to the provisions of the grant;

(6) "Federal agency" or "agency" means any United States executive department, military department, government corporation, government controlled corporation, any other establishment in the executive branch (including the Executive Office of the President), or any independent regulatory agency;

(7) "Grant" means an award of financial assistance, including a cooperative agreement, in the form of money, or property in lieu of money, by a Federal agency directly to a grantee. The term grant includes block grant and entitlement grant programs, whether or not exempted from coverage under the grants management governmentwide regulation ("Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments"). The term does not include technical assistance which provides services instead of money, or other assistance in the form of loans, loan guarantees, interest subsidies, insurance, or direct appropriations; or any veterans' benefits to individuals, i.e., any benefit to veterans, their families, or survivors by virtue of the service of a veteran in the Armed Forces of the United States;

(8) "Grantee" means a person who applies for or receives a grant directly from a Federal agency;

(9) "Individual" means a natural person.

**§ ____.610 Coverage.**

(a) This subpart applies to any grantee of the agency.

(b) This subpart applies to any grant, except where application of this subpart would be inconsistent with the international obligations of the United States or the laws or regulations of a foreign government.

(c) The provisions of Subparts A, B, C, D and E of this part apply to matters covered by this subpart, except where specifically modified by this subpart. In the event of any conflict between provisions of this subpart and other provisions of this part, the provisions of this subpart are deemed to control with respect to the implementation of drug-free workplace requirements concerning grants.

**§ ____.615 Grounds for suspension of payments, suspension or termination of grants, or suspension or debarment.**

A grantee shall be deemed in violation of the requirements of this subpart if the agency head or his or her official designee determines, in writing, that—

(a) The grantee has made a false certificaiton under § ____.630;

(b) The grantee has violated the certification by failing to carry out the requirements of subparagraphs (A.)(a)-(g) of the certification for grantees other than individuals (Alternate I to Appendix C) or by failing to carry out the requirements of the certification for grantees who are individuals (Alternate II to Appendix C); or

(c) Such a number of employees of the grantee have been convicted of violations of criminal drug statutes for violations occurring in the workplace as to indicate that the grantee has failed to make a good faith effort to provide a drug-free workplace.

**§ ____.620 Effect of violation.**

(a) In the event of a violation of this subpart as provided in § ____.615, and in

BEST COPY AVAILABLE

accordance with applicable law, the grantee shall be subject to one or more of the following actions:

(1) Suspension of payments under the grant;

(2) Suspension or termination of the grant; and

(3) Suspension or debarment of the grantee under the provisions of this part.

(b) Upon issuance of any final decision under this part requiring debarment of a grantee, the debarred grantee shall be ineligible for award of any grant from any Federal agency for a period specified in the decision, not to exceed five years (*see* § ____.320(a)(2) of this part).

**§ ____.625 Exception provision.**

The agency head may waive with respect to a particular grant, in writing, a suspension of payments under a grant, suspension or termination of a grant, or suspension or debarment of a grantee if the agency head determines that such a waiver would be in the public interest. This exception authority cannot be delegated to any other official.

**§ ____.630 Grantees' responsibilities.**

(a) As a prior condition of being awarded a grant, each grantee shall make the appropriate certification to the agency, as provided in Appendix C to this part.

(b) Except as provided in this paragraph, a grantee shall make the required certification for each grant. A grantee that is a State may elect to submit an annual certification to each Federal agency from which it obtains grants in lieu of certifications for each grant during the year covered by the certification.

(c) Grantees are not required to provide a certification in order to continue receiving funds under a grant awarded before the effective date of this subpart or under a no-cost time extension of any grant.

## Appendix C to Part ____—Certification Regarding Drug-Free Workplace Requirements

*Instructions for Certification*

1. By signing and/or submitting this application or grant agreement, the grantee is providing the certification set out below.

2. The certification set out below is a material representation of fact upon which reliance was placed when the agency determined to award the grant. If it is later determined that the grantee knowingly rendered a false certification, or otherwise violates the requirements of the Drug-Free Workplace Act, the agency, in addition to any other remedies available to the Federal Government, may take action authorized under the Drug-Free Workplace Act.

3. For grantees other than individuals, Alternate I applies.

4. For grantees who are individuals, Alternate II applies.

*Certification Regarding Drug-Free Workplace Requirements*

Alternate I

A. The grantee certifies that it will provide a drug-free workplace by:

(a) Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition;

(b) Establishing a drug-free awareness program to inform employees about—

(1) The dangers of drug abuse in the workplace;

(2) The grantee's policy of maintaining a drug-free workplace;

(3) Any available drug counseling, rehabilitation, and employee assistance programs; and

(4) The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;

(c) Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph (a);

(d) Notifying the employee in the statement required by paragraph (a) that, as a condition of employment under the grant, the employee will—

(1) Abide by the terms of the statement; and

(2) Notify the employer of any criminal drug statute conviction for a violation occurring in the workplace no later than five days after such conviction;

(e) Notifying the agency within ten days after receiving notice under subparagraph (d)(2) from an employee or otherwise receiving actual notice of such conviction;

(f) Taking one of the following actions, within 30 days of receiving notice under subparagraph (d)(2), with respect to any employee who is so convicted—

(1) Taking appropriate personnel action against such an employee, up to and including termination; or

(2) Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency;

(g) Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs (a), (b), (c), (d), (e) and (f).

B. The grantee shall insert in the space provided below the site(s) for the performance of work done in connection with the specific grant:

Place of Performance (Street address, city, county, state, zip code)

Alternate II

The grantee certifies that, as a condition of the grant, he or she will not engage in the unlawful manufacture, distribution, dispensing, possession or use of a controlled substance in conducting any activity with the grant.

## VENDOR I.D. NUMBERS

| | | | |
|---|---|---|---|
| Abilene | 17560004404000 | Jeff Davis County | 17460029352000 |
| Amarillo | 17560004446000 | Liberty | 17460016029000 |
| Arlington | 17560004503000 | Lubbock | 17560005906000 |
| Austin | 17460000858000 | Montgomery County | 17460005584000 |
| Baytown | 17460002466000 | Motley County | 17560010856000 |
| Beaumont | 17460002789000 | Nacogdoches | 17560006219000 |
| Brazoria County | 17460000445000 | Orange | 17460023215000 |
| Corpus Christi | 17460005741000 | Pasadena | 17460018462000 |
| Dallas | 17560005088000 | Plano | 17560006409000 |
| Eagle Pass | 17460006988000 | Port Arthur | 17460018850000 |
| Ector County | 17560035531000 | Rains County | 17560011185000 |
| El Paso | 17460007499000 | San Antonio | 17460020708000 |
| Ft. Bend County | 17460019692000 | San Marcos | 17460022381000 |
| Ft. Worth | 17560005286000 | Sherman | 17560006698000 |
| Galveston | 17408510018000 | Texas City | 17460023843000 |
| Garland | 17560005344000 | Victoria | 17460024411000 |
| Harris County | 17460194511000 | Waco | 17460024684000 |
| Hidalgo County | 17460007176000 | Wharton County | 17460025590000 |
| Houston | 17460011640000 | Wise County | 17560012035000 |
| Irving | 17560005666000 | Zapata County | 17460030780000 |